

# Harrow Council

## Statement of Accounts (un-audited)

**2010 - 11**



London Borough of Harrow  
Statement of Accounts  
2010 - 2011

|  |                    |
|--|--------------------|
| <a href="#">1 Explanatory Foreword.....</a>  | <a href="#">1</a>  |
| <a href="#">1.1 Financial Summary for the year.....</a>  | <a href="#">5</a>  |
| <a href="#">2 Statement of Responsibilities.....</a>   | <a href="#">12</a> |
| <a href="#">3 Audit Opinion &amp; Certificate.....</a>   | <a href="#">13</a> |
| <a href="#">4 Presentation of Financial Statements.....</a>  | <a href="#">14</a> |
| <a href="#">4.1 Movement in reserves.....</a>  | <a href="#">14</a> |
| <a href="#">4.2 Comprehensive income and expenditure statement.....</a>                                      | <a href="#">15</a> |
| <a href="#">4.3 Balance sheet.....</a>   | <a href="#">16</a> |
| <a href="#">4.4 Cash flow statement.....</a>   | <a href="#">16</a> |
| <a href="#">5 Notes to the Financial Statements.....</a>   | <a href="#">17</a> |
| <a href="#">5.1 Accounting Policies.....</a>   | <a href="#">17</a> |
| <a href="#">5.2 Critical Judgements in Applying Accounting Policies.....</a>                                 | <a href="#">30</a> |
| <a href="#">5.3 Assumptions made about the future and other major sources of estimation uncertainty.....</a> | <a href="#">30</a> |
| <a href="#">5.4 Events after the Balance Sheet Date.....</a>   | <a href="#">31</a> |
| <a href="#">5.5 Adjustment between accounting basis and funding basis under regulations.....</a>             | <a href="#">32</a> |
| <a href="#">5.6 Transfers to/from Earmarked Reserves.....</a>  | <a href="#">33</a> |
| <a href="#">5.7 Other Operating Expenditure.....</a>   | <a href="#">34</a> |
| <a href="#">5.8 Financing and investment income and expenditure.....</a>                                     | <a href="#">35</a> |

|  |    |
|--|----|
| 5.9 Taxation and non specific grant incomes.....                 | 35 |
| 5.10 Property, Plant and Equipment.....                          | 36 |
| 5.11 Leases.....   | 41 |
| 5.12 Private Finance Initiatives and Similar Contracts .....     | 44 |
| 5.13 Investment Properties.....                                  | 46 |
| 5.14 Long term debtors.....                                      | 47 |
| 5.15 Short term investments.....                                 | 47 |
| 5.16 Inventories.....  | 47 |
| 5.17 Short term debtors.....                                     | 48 |
| 5.18 Cash and cash equivalents.....                              | 48 |
| 5.19 Short term borrowing.....                                   | 48 |
| 5.20 Creditors.....  | 48 |
| 5.21 Provisions.....   | 49 |
| 5.22 Long term borrowing.....                                    | 50 |
| 5.23 Other long term liabilities.....                            | 50 |
| 5.24 Usable reserves.....  | 51 |
| 5.25 Unusable reserves.....                                      | 52 |
| 5.26 Cash flow statement – operating activities.....             | 56 |
| 5.27 Cash flow statement – investing activities.....             | 57 |
| 5.28 Cash flow statement – financing activities.....             | 57 |
| 5.29 Directorate income and expenditure segmental reporting..... | 58 |
| 5.30 Road charging schemes under the Transport Act 2000.....     | 62 |
| 5.31 Agency arrangements – pooled budgets.....                   | 62 |
| 5.32 Agency Services.....  | 63 |
| 5.33 Members allowances.....                                     | 64 |
| 5.34 Remuneration.....   | 64 |
| 5.35 Audit fees.....   | 66 |
| 5.36 Dedicated Schools Grant.....                                | 66 |

|   |     |
|---|-----|
| 5.37 Grants income.....   | 67  |
| 5.38 Related parties.....   | 69  |
| 5.39 Borrowing costs.....   | 71  |
| 5.40 Termination benefits.....  | 71  |
| 5.41 Defined benefit pension schemes.....                             | 71  |
| 5.42 Contingent liabilities.....                                      | 75  |
| 5.43 Financial instruments.....                                       | 76  |
| 5.44 Transition to IFRS.....  | 80  |
| 6 Housing Revenue Account.....  | 86  |
| 6.1 Housing Revenue Account (HRA).....                                | 86  |
| 6.2 Notes to the Housing Revenue Account.....                         | 87  |
| 7 Collection Fund.....  | 93  |
| 7.1 Notes to the Collection Fund.....                                 | 94  |
| 8 Statements Reporting Reviews of Internal Controls.....              | 95  |
| 8.1 Annual Governance Statement.....                                  | 95  |
| 8.2 The Purpose of the Governance Framework.....                      | 95  |
| 8.3 The Governance Framework.....                                     | 96  |
| 8.4 Defining roles.....   | 98  |
| 8.5 Standards of behaviour and codes of conduct .....                 | 98  |
| 8.6 Decision making.....  | 99  |
| 8.7 Internal Control and Risk Management.....                         | 100 |
| 8.8 Audit arrangements.....   | 101 |
| 8.9 Compliance with statute and internal policies and procedures..... | 101 |
| 8.10 Whistle blowing and complaints.....                              | 102 |
| 8.11 Training and development.....                                    | 102 |
| 8.12 Communication and consultation.....                              | 103 |
| 8.13 Partnerships.....  | 103 |

|  |     |
|--|-----|
| 8.14 Review of Effectiveness.....  | 104 |
| 8.15 Management Assurance Exercise .....                                     | 107 |
| 8.16 Significant Governance Issues/Progress on previous agreed actions ..... | 107 |
| 8.17 Declaration.....  | 108 |
| 9 Pension Fund Accounts.....   | 110 |
| 9.1 Administration of the Fund.....  | 110 |
| 9.2 Fund performance.....  | 112 |
| 9.3 London Borough of Harrow Pension Fund Account.....                       | 113 |
| 9.4 Notes to the Pension Fund Accounts.....                                  | 114 |
| 9.5 Statement of Investment Principles.....                                  | 121 |
| 10 Appendix.....   | 122 |
| 10.1 Glossary of Terms.....  | 122 |
| 10.2 Abbreviations.....  | 126 |
| 10.3 BVACOP.....   | 128 |



# 1 Explanatory Foreword

This foreword provides a guide to the Council's accounts for the year ended 31 March 2011. The Accounts and Audit Regulations 2003 require the Statement of Accounts to be approved by 30 June 2011.

The Statements have been prepared on a going concern basis, that is, the accounts should be prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

The Statements have been prepared in accordance with proper accounting practices and all relevant statutory requirements. Proper accounting practices represent compliance with the following:

- All relevant Financial Reporting Standards (FRS) issued by the Accounting Standards Board (ASB – a constituent board of the Financial Reporting Council);
- The Code of Practice on Local Authority Accounting in the UK 2010-11; and
- The Best Value Accounting Code of Practice 2010-11 (BVACOP) issued by CIPFA that establishes proper practice for consistent financial reporting below the Statement of Accounts level and has statutory recognition.

The Statement of Accounts:

- **Movement in Reserve Statement:** This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus (or Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.
- **Comprehensive Income and Expenditure Statement (CIES):** This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- **Balance Sheet:** The balance sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject



to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

- **Cash Flow Statement:** The cash flow statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the receipts of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.
- **Housing Revenue Account:** This statement reflects a statutory obligation to account separately for the Council's housing provision in accordance with Part 6 of the Local Government and Housing Act 1989. The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.
- **The Collection Fund:** It is a statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to non-domestic rates and council tax. It illustrates the way in which these have been distributed to finance services provided by the Council and the Greater London Authority (GLA).
- **The Pension Fund Account:** The objective of the Pension Fund's financial statements is to provide information about the financial position, performance and financial adaptability of the fund. It shows contributions to the Council's Pension Fund for employees during 2010-11, together with the pensions and other benefits paid from it, movements in investments during the year and the financial position of the Fund as at 31 March 2011. The accounts do not include any liabilities relating to payment of pensions and benefits in future years. The Pension Fund and its financial position are certified in section 9.

## Accounting Developments

The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the UK 2010-11 which requires compliance with International Financial Reporting Standards. This is the first year of fully compliant accounts and for this reason there are changes to the accounts which are explained below:

### **Accounting Developments**

Move to an International Financial Reporting Standard-based Code from a UK GAAP. Accounting changes include:

- Grants and contributions for capital purposes will be recognised as income immediately rather than being deferred and released to revenue to match depreciation;
- The main financial statements have changed, and there are additional requirements regarding segmental reporting;
- There is a greater emphasis on component accounting, and a greater emphasis on de-recognising parts of an asset that are replaced;
- Property leases are classified and accounted for as separate leases of land and buildings;
- Investment properties are measured at fair value, with gains and losses recognised in Surplus or Deficit rather than through the revaluation reserve;
- Impairment losses will be taken initially to the revaluation reserve to the extent that there is a balance on that reserve relating to the specific asset;
- The Code introduces a new classification of non-current assets held for sale. Specific criteria apply to this classification;
- All employee benefits are accounted for as they are earned by the employee. This requires accruals for items such as holiday pay; and
- The definition of associates is based on the ability to control rather than actual control, and could lead to a change in the group boundary.

The implementation of new standards has been very challenging for Councils across the country. Due to robust project plans, Harrow Council has performed well in implementing IFRS and this was recognised by the Audit Commission who awarded us 'Green' status in March 2011.

### **Pensions**

The financial statements include the relevant pension costs and provisions required to reflect the pension accounting arrangements under the Pensions Accounting Standard IAS19.

## Review of the year

The Council's vision is 'Working Together: Our Harrow, Our Community'. To support this vision the Council's corporate priorities are:

- Keeping Neighbourhoods Clean, Green and Safe;
- United and Involved Communities: A Council that Listens and Leads;
- Supporting and Protecting People who are Most in Need; and
- Supporting our Town Centre, Our Local Shopping Centres and Businesses.

During 2010-11, against a background of severe financial restraint, the Council has continued to push forward with innovations and improvements to services. This has resulted in savings of over £45m in the last four years, and increased general reserves year on year up to our current target of £7m. Council Tax was kept to a zero increase for the second year running in 2011.

The year started with being short listed for both the Municipal Journal's (MJ) 'Best Achieving Council' and Local Government Chronicle's (LGC) 'Most Improved Council of the Year', and in June 2011 we were named as the Best Achieving Council

Adult's Social care was judged the most improved service in London and 3rd nationally. During the year the service received recognition as detailed below:

- European recognition for its work on personalisation, which culminated in Adults' services presenting its journey to Finland's first national conference on personal budgets. One in five personal budgets in London is awarded by Harrow;
- The Department of Health recognised Harrow as a national leader in reablement which improves users' quality of life by enabling them to live at home rather than in hospital. The service was short listed for the MJ award in the category of 'Total Place Achievement of the Year' for reablement; and
- Adults and Housing management team was short listed for LGC 'Management Team of the Year' awards category.

Eighty-five percent of Harrow's schools are now rated as good or outstanding by Ofsted and Harrow is also in the top 12 councils nationally for GCSE results.

Environmental services successfully increased the recycling rates to 50% which matches the best in London.

In July 2010, the communication team won the award at the Good Communications Awards for 'Our Harrow, Our Community' campaign which successfully increased community cohesion across the borough.

## 1.1 Financial Summary for the year

### 1.1.1 General Fund Revenue Account (GF)

The Council's revenue budget outturn for 2010-11 confirmed an under spend of £1.135m. This represented 1% of the total net expenditure of £171.7m.

| 2010-11  |                 |                 |                         |                           |
|--|-----------------|-----------------|-------------------------|---------------------------|
|  | Budget<br>£m    | Outturn<br>£m   | Outturn<br>Variation £m | Outturn<br>Variation<br>% |
| Departmental Costs                                 | 297.370         | <b>293.298</b>  | <b>-4.072</b>           | <b>-1.4</b>               |
| Carry forward for future commitments and pressures | 0.000           | <b>2.008</b>    | 2.008                   | 0.0                       |
| Net Directorate outturn position                   | 297.370         | 295.306         | <b>-2.064</b>           | <b>-0.7</b>               |
| Non Departmental Costs                             | <b>-125.685</b> | <b>-124.961</b> | 0.724                   | <b>-0.6</b>               |
| Contributions to Reserves                          | 0.000           | <b>0.205</b>    | 0.205                   | 0.0                       |
| <b>Net Expenditure</b>                             | <b>171.685</b>  | <b>170.550</b>  | <b>-1.135</b>           | <b>-0.7</b>               |
| <b>Contribution to</b>                             |                 |                 |                         |                           |
| Transformation and Priority Initiative Fund        | 0.000           | <b>0.429</b>    | 0.429                   |                           |
| General reserve                                    | 0.000           | <b>0.706</b>    | 0.706                   |                           |
| <b>Total</b>                                       | <b>0.000</b>    | <b>1.135</b>    | <b>1.135</b>            |                           |

### Departmental Costs

The outturn position for the directorates of a £4.1m under spend represents a favourable variance of 1.4% against a net budget of £297.4m. This is a significant achievement especially in the light of in year cuts of £1.3m and a challenging environment of unexpected service and income pressures. Some of this does however relate to timing differences in relation to activity commenced in 2010-11 which will need to be completed in 2011-12 and for which £2m has been carried forward. This reduces the directorates' outturn by £2m as reported in the above table. The under spend was mainly due to:

- Adult and Housing services delivering a £0.252m under spend spread over a number of service areas;
- Children's services delivering a £0.550m favourable variance, of which £0.213m resulted from reallocation of grant funding in the Early Year's Service;
- Community and Environment producing a favourable variance of £0.153m across various budget heads; and
- Under spends in Corporate departments and Place Shaping which mainly resulted from balance sheet and vacancy management.

This enabled pressures of £0.724m on Non Departmental Costs to be offset which resulted mainly from accounting adjustments on prior year capital projects.

## Net Expenditure

From the Total net under spend of £1.135m, £0.429m has been allocated to the Transformation and Priority Initiatives Fund and the balance of £0.706m has been transferred to general reserves. The balance carried forward into 2011-12 now stands at £7m.

The net cost of service for the year was £337.4m (£288.0m in 2009-10). The main reason for the significant increase is the impairment charge on Council dwellings amounting to £126.2m. This was offset by accounting entries as per IAS19 in respect of pension gains totaling to a credit of £74.0m.

## Capital

Actual capital spend in the year was £58m, compared with an original capital programme of £46m. The increase in the programme was due to commitments carried forward from 2009-10 and additions during the year, mainly in Children's Services. The commitments brought forward from the previous year and the additions during the year were mainly funded from grants. At year end there were projects which were not completed and therefore commitments of £16m were carried forward to 2011-12, of which £3.3m related to the HRA and £6m were grant funded projects.

Major projects included in the programme were:

- Continued investment in new technology to improve Council Services;
- Education modernisation and improvements, Catering in Schools, Whitmore School;
- Improvements to the Council's housing stock to achieve the 'Decent Homes' standard;
- Highways Infrastructure; and
- Supported Housing and Empty Property Grants.

Expenditure during the year was funded from grants (£26m), usable capital receipts (£6m), revenue contributions (£4m) and borrowing from UK banks (£22m). The total capital programme including Housing Revenue Account (HRA) for 2011-12 is £52m. This will be funded from government grants (£10m), revenue contributions (£4m), capital receipts (£8m) and borrowing (£30m).

**Housing Revenue Account**

The Council provides rented accommodation of 4,966 units. In 2010-11, average Council rents were £86.60 per week, an increase of 2.85% from 2009-10. The HRA outturn confirmed a deficit of £1.004m in 2010-11. This was lower than planned and resulted in a decrease in the HRA balance from £4.8m to £3.8m.

**Collection Fund**

The outturn surplus on the Collection Fund at year end is £2.774m compared to the estimated figure of £2.494m. This is a movement of £1.002m from last year when there was a surplus of £1.772m. The Council's share of the surplus is £2.200m and the Greater London Authority (GLA) share is £0.574m.

**Treasury Management**

During 2010-11 the main focus for Treasury Management was to reduce the risk within the investment portfolio and to minimise borrowing costs.

The investment portfolio achieved an average return of 1.30% in the year, exceeding both the 7 day and 3 month LIBID rates. This resulted in interest earned of £1m compared to the budgeted figure of £0.7m generating a favourable variance of £0.3m.

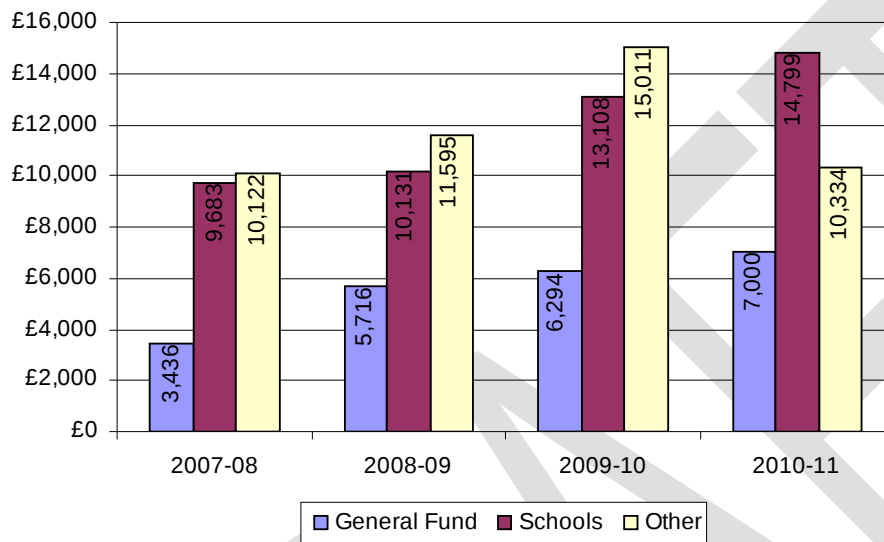
The average interest rate on debt has moved over the course of the year from 4.66% to 4.57%, which is well below the overall national average rate of Interest. The actual cost of borrowing was £11.2m compared to the budgeted figure of £11.3m resulting in an under spend of £0.1m.

The Minimum Revenue Provision (MRP) showed a favourable variance of £0.6m resulting from projects of around £5m not completed within planned timescales and a £2m under spend in 2009-10 on capital projects funded from borrowing.

### 1.1.2 Financial Data

The following tables and charts analyse Balances, Council Tax at Band D, income and expenditure of the Council services provided and a summary of capital expenditure:

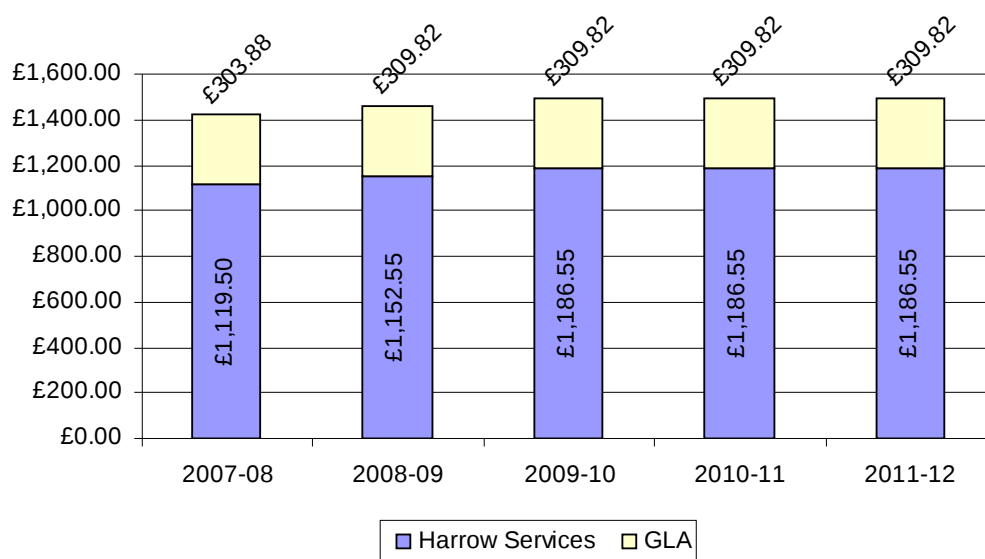
### 1.1.3 Council Revenue Balances



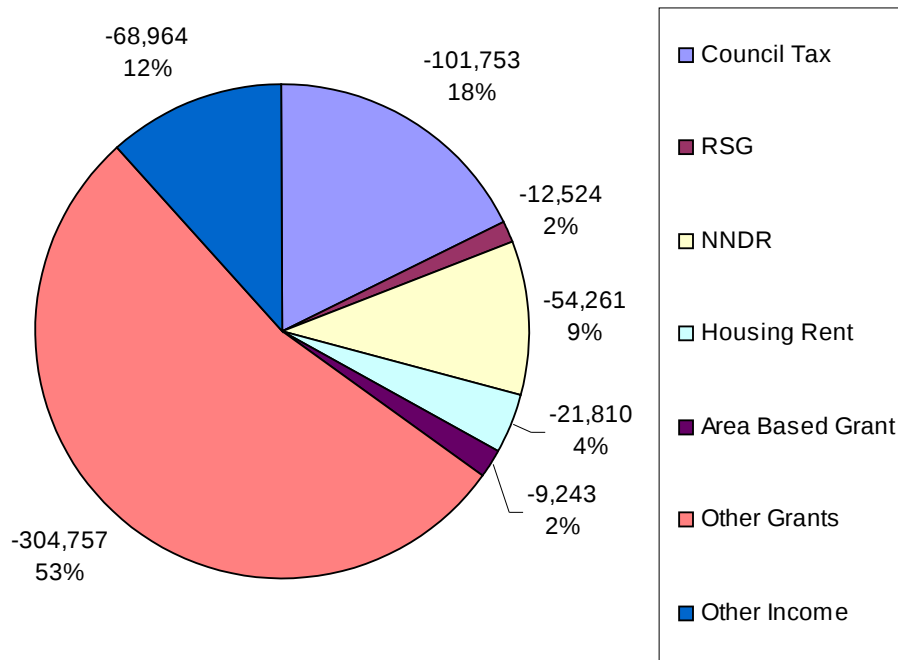
Note: the above balances, excluding General Fund, are ring fenced.

### Council Tax Band D

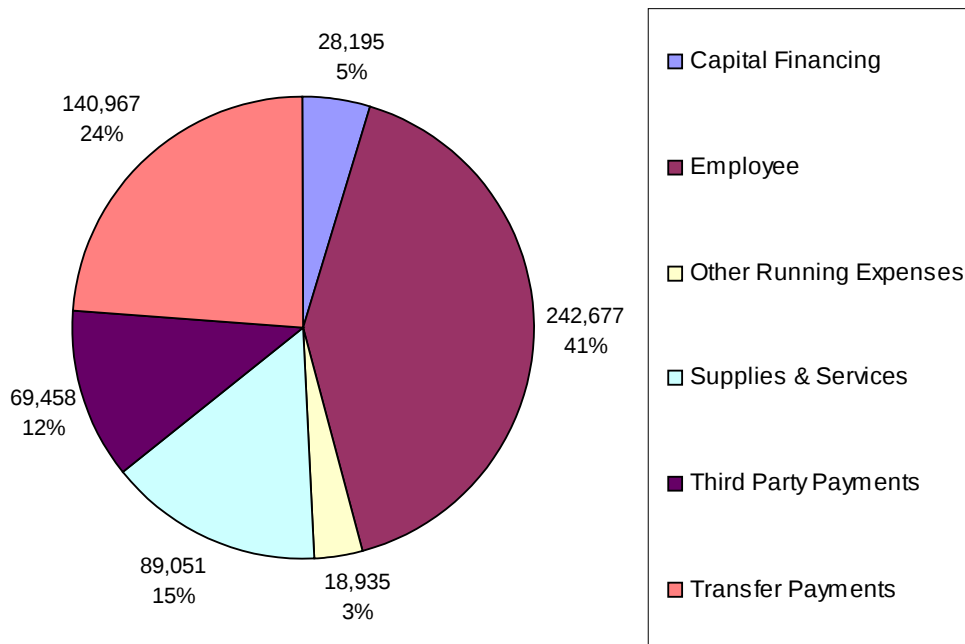
Council tax helps to pay for the services provided by Harrow Council and the Greater London Authority (GLA). The total Council Tax for Band D was £1,496.37.



### 1.1.4 Analysis of Revenue Income (£000's)

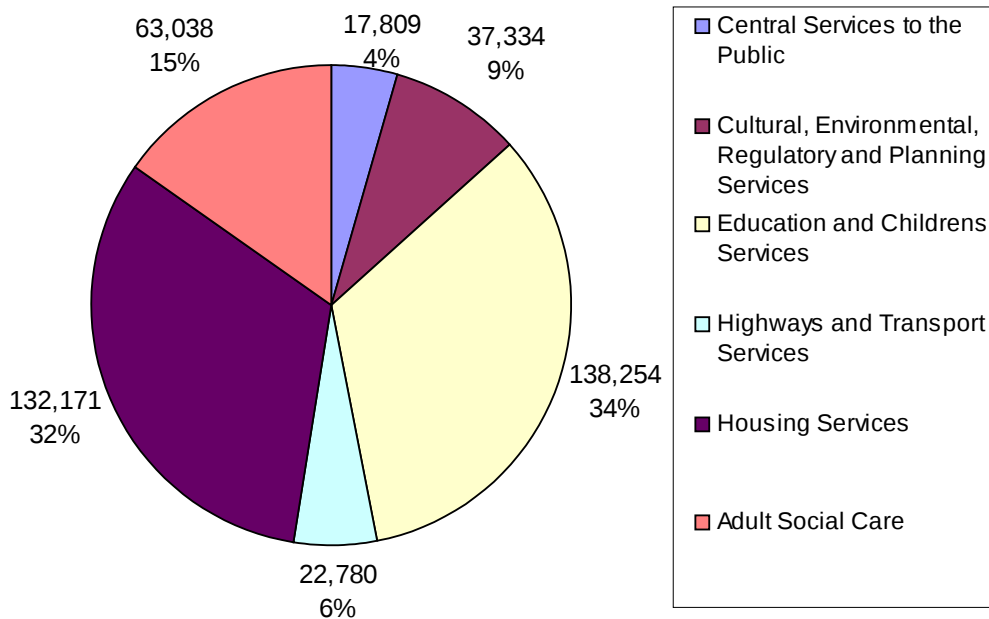


### 1.1.5 Analysis of Revenue Expenditure (£000's)



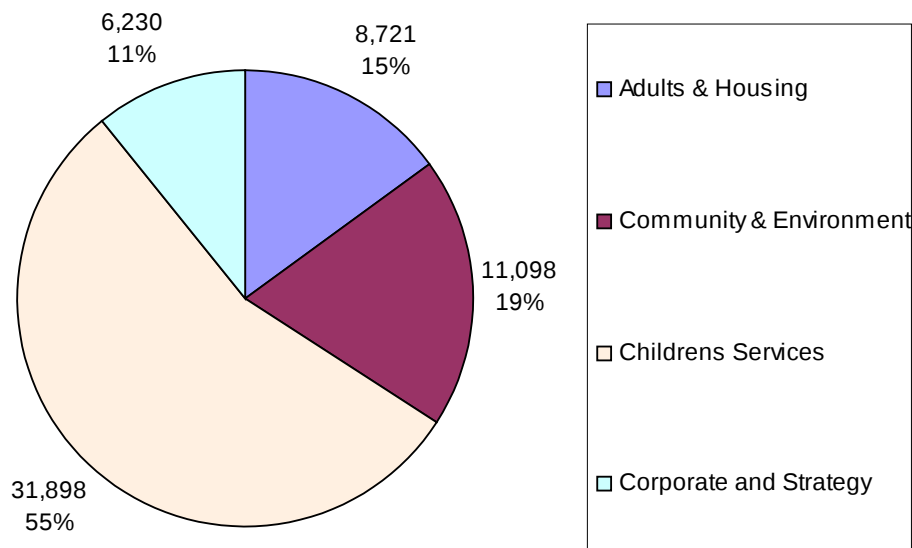


### 1.1.6 The Services Provided – analysis of expenditure



### 1.1.7 Capital Expenditure (£000's)

Capital expenditure represents money spent by the Council on purchasing, upgrading and improving assets that will be of benefit to the community over many years.



Further information about the accounts is available from:

Corporate Finance, Civic 6, Civic Centre, Station Road, Harrow, Middx, HA1 2UJ

Under the Audit Commission Act 1998, sections 15-16, and the Accounts and Audit Regulations 2003 regulations 13, 14 & 16, members of the public have a statutory right to inspect the Accounts before the Audit is completed. The period of availability of the Accounts for inspection is advertised in the local press and anyone wishing to do so may make objection to any item of the account to the Council's auditor.

## **2 Statement of Responsibilities**

### **The Council's Responsibilities**

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Harrow, that officer is the Chief Financial Officer, i.e. the Interim Director of Finance;
- To manage its affairs to secure economic, efficient and effective use of its resources and safeguard its assets; and
- To approve the statement of accounts (delegated to the Governance, Audit & Risk Management Committee (GARM Committee)).

### **The Chief Finance Officer's Responsibilities**

The Chief Finance Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

In preparing this Statement of Accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent; and
- Complied with the Local Authority Code.

The Chief Finance Officer has also:

- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts as set out in this document presents a true and fair view of the financial position of the council as at 31 March 2011 and its income and expenditure for the year then ended.

**Julie Alderson (ACA)**

**Interim Director of Finance & Section 151 Officer**

**30 June 2011**

### **3 Audit Opinion & Certificate**

DRAFT

## 4 Presentation of Financial Statements

### 4.1 Movement in reserves

|   | General Fund Balance<br>£000 | Earmarked General Fund Reserves<br>£000 | Locally Managed Schools Reserve<br>£000 | Housing Revenue Account<br>£000 | Capital Receipts Reserve<br>£000 | Capital Grants Unapplied<br>£000 | Total Usable Reserves<br>£000 | Unusable Reserves<br>£000 | Total Authority Reserves<br>£000 |
|---|------------------------------|---|---|---------------------------------|----------------------------------|----------------------------------|-------------------------------|---------------------------|----------------------------------|
| <b>Balance at 31 March 2010</b>   | -6,294                       | -15,011                                 | -13,108                                 | -4,784                          | -6,167                           | -2,500                           | -47,864                       | -420,878                  | -468,742                         |
| <b><u>Movement in reserves during 2010-11</u></b>                                 |                              |   |   |                                 |                                  |                                  |                               |                           |                                  |
| Surplus or (deficit) on the provision of services                                 | -17,062                      |   | -1,691                                  | 130,157                         |                                  |                                  | 111,404                       | -76                       | 111,328                          |
| Other Comprehensive Expenditure and Income  | -67,509                      |   |   |                                 |                                  |                                  | -67,509                       |                           | -67,509                          |
| <b>Total Comprehensive Expenditure and Income</b>                                 | <b>-84,571</b>               | <b>0</b>                                | <b>-1,691</b>                           | <b>130,157</b>                  | <b>0</b>                         | <b>0</b>                         | <b>43,895</b>                 | <b>-76</b>                | <b>43,819</b>                    |
| Adjustments between accounting basis & funding basis under regulations (Note 5.5) | 88,542                       |   |   | -129,153                        | -81                              | 1,654                            | -39,038                       | 39,038                    | 0                                |
| <b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>               | <b>3,971</b>                 | <b>0</b>                                | <b>-1,691</b>                           | <b>1,004</b>                    | <b>-81</b>                       | <b>1,654</b>                     | <b>4,857</b>                  | <b>38,962</b>             | <b>43,819</b>                    |
| Transfers to/from Earmarked Reserves  | -4,677                       | 4,677                                   |   |                                 |                                  |                                  | 0                             |                           | 0                                |
| <b>Increase/Decrease in 2010-11</b>   | <b>-706</b>                  | <b>4,677</b>                            | <b>-1,691</b>                           | <b>1,004</b>                    | <b>-81</b>                       | <b>1,654</b>                     | <b>4,857</b>                  | <b>38,962</b>             | <b>43,819</b>                    |
| <b>Balance at 31 March 2011 carried forward</b>                                   | <b>-7,000</b>                | <b>-10,334</b>                          | <b>-14,799</b>                          | <b>-3,780</b>                   | <b>-6,248</b>                    | <b>-846</b>                      | <b>-43,007</b>                | <b>-381,916</b>           | <b>-424,923</b>                  |
| <b>Balance at 31 March 2009</b>   | <b>-5,716</b>                | <b>-11,594</b>                          | <b>-10,131</b>                          | <b>-5,142</b>                   | <b>-5,906</b>                    | <b>-1,543</b>                    | <b>-40,032</b>                | <b>-691,345</b>           | <b>-731,377</b>                  |
| <b><u>Movement in reserves during 2009-10</u></b>                                 |                              |   |   |                                 |                                  |                                  |                               |                           |                                  |
| Surplus or (deficit) on the provision of services                                 | 138,196                      | 0                                       | -2,977                                  | -35,847                         | 0                                | 0                                | 99,372                        | 30                        | 99,402                           |
| Other Comprehensive Expenditure and Income  | 163,233                      | 0                                       | 0                                       | 0                               | 0                                | 0                                | 163,233                       | 0                         | 163,233                          |
| <b>Total Comprehensive Expenditure and Income</b>                                 | <b>301,429</b>               | <b>0</b>                                | <b>-2,977</b>                           | <b>-35,847</b>                  | <b>0</b>                         | <b>0</b>                         | <b>262,605</b>                | <b>30</b>                 | <b>262,635</b>                   |
| Adjustments between accounting basis & funding basis under regulations (Note 5.5) | -305,377                     | -47                                     | 0                                       | 36,205                          | -261                             | -957                             | -270,437                      | 270,437                   | 0                                |
| <b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>               | <b>-3,948</b>                | <b>-47</b>                              | <b>-2,977</b>                           | <b>358</b>                      | <b>-261</b>                      | <b>-957</b>                      | <b>-7,832</b>                 | <b>270,467</b>            | <b>262,635</b>                   |
| Transfers to/from Earmarked Reserves  | 3,370                        | -3,370                                  | 0                                       | 0                               |                                  | 0                                | 0                             | 0                         | 0                                |
| <b>Increase/Decrease in 2009-10</b>   | <b>-578</b>                  | <b>-3,417</b>                           | <b>-2,977</b>                           | <b>358</b>                      | <b>-261</b>                      | <b>-957</b>                      | <b>-7,832</b>                 | <b>270,467</b>            | <b>262,635</b>                   |
| <b>Balance at 31 March 2010 carried forward</b>                                   | <b>-6,294</b>                | <b>-15,011</b>                          | <b>-13,108</b>                          | <b>-4,784</b>                   | <b>-6,167</b>                    | <b>-2,500</b>                    | <b>-47,864</b>                | <b>-420,878</b>           | <b>-468,742</b>                  |

## 4.2 Comprehensive income and expenditure statement

| 2009-10 Restated          |                      |                         |   | 2010-11                   |                      |                         |
|---------------------------|----------------------|-------------------------|---|---------------------------|----------------------|-------------------------|
| Gross Expenditure<br>£000 | Gross Income<br>£000 | Net Expenditure<br>£000 |   | Gross Expenditure<br>£000 | Gross Income<br>£000 | Net Expenditure<br>£000 |
| 23,293                    | -21,935              | 1,358                   | Central Services  | 25,087                    | -23,460              | 1,627                   |
| 61,521                    | -14,051              | 47,470                  | Cultural, Environmental, Regulatory and Planning Services | 46,536                    | -9,202               | 37,334                  |
| 367,583                   | -193,358             | 174,225                 | Children's and Education Services                         | 344,310                   | -206,056             | 138,254                 |
| 29,412                    | -13,433              | 15,979                  | Highways and Transport Services                           | 31,795                    | -13,793              | 18,002                  |
| -11,994                   | -24,962              | -36,956                 | Housing Services (HRA)                                    | 150,118                   | -25,690              | 124,428                 |
| 128,319                   | -119,615             | 8,704                   | Housing Services (General Fund)                           | 139,568                   | -127,048             | 12,520                  |
| 89,404                    | -21,903              | 67,501                  | Adult Social Care   | 83,254                    | -20,216              | 63,038                  |
| 14,213                    | -4,927               | 9,286                   | Corporate and democratic core                             | 11,776                    | -1,252               | 10,524                  |
| 613                       | -220                 | 393                     | Non distributed costs                                     | -68,249                   | -114                 | -68,363                 |
| <b>702,364</b>            | <b>-414,404</b>      | <b>287,960</b>          | <b>Cost Of Services</b>                                   | <b>764,195</b>            | <b>-426,831</b>      | <b>337,364</b>          |
| 9,162                     | -1,853               | 7,309                   | Other Operating Expenditure                               | 5.7 12,885                | -1,291               | 11,594                  |
| 25,862                    | 237                  | 26,099                  | Financing and Investment Income and Expenditure           | 5.8 21,941                | -2,442               | 19,499                  |
| -221,966                  | -221,966             | -221,966                | Taxation and Non-Specific Grant Income                    | 5.9 0                     | -257,129             | -257,129                |
|                           |                      | <b>99,402</b>           | <b>Deficit on Provision of Services</b>                   |                           |                      | <b>111,328</b>          |
|                           |                      | 11,152                  | Deficit on revaluation of fixed assets                    |                           |                      | 2,001                   |
|                           |                      | 152,081                 | Actuarial gains / losses on pension assets / liabilities  |                           |                      | -69,510                 |
|                           |                      | <b>163,233</b>          | <b>Other Comprehensive Income and Expenditure</b>         |                           |                      | <b>-67,509</b>          |
|                           |                      | <b>262,635</b>          | <b>Total Comprehensive Income and Expenditure</b>         |                           |                      | <b>43,819</b>           |

### 4.3 Balance sheet

| Restated         |                   |                                    | Notes          | 31-Mar-11<br>£000 |
|------------------|-------------------|------------------------------------|----------------|-------------------|
| 1-Apr-09<br>£000 | 31-Mar-10<br>£000 |                                    |                |                   |
| 1,167,750        | 1,091,169         | Property Plant and Equipment       | 5.10           | 880,683           |
| 18,636           | 24,822            | Investment Property                | 5.13           | 23,681            |
| 16,345           | 0                 | Long Term Investments              |                | 18,000            |
| 3,897            | 3,712             | Long Term Debtors                  | 5.14           | 3,604             |
| <b>1,206,628</b> | <b>1,119,703</b>  | <b>Long Term Assets</b>            |                | <b>925,968</b>    |
| 53,881           | 64,741            | Short Term Investments             | 5.15           | 65,557            |
| 91               | 26                | Inventories                        | 5.16           | 141               |
| 32,242           | 28,205            | Short Term Debtors                 | 5.17           | 21,279            |
| 9,355            | 23,275            | Cash and Cash Equivalents          | 5.18           | 25,497            |
| <b>95,569</b>    | <b>116,247</b>    | <b>Current Assets</b>              |                | <b>112,474</b>    |
| <b>-17,594</b>   | <b>-16,181</b>    | Short Term Borrowing               | 5.19           | <b>-33,658</b>    |
| <b>-75,996</b>   | <b>-72,130</b>    | Short Term Creditors               | 5.20 &<br>5.21 | <b>-71,626</b>    |
| <b>-93,590</b>   | <b>-88,311</b>    | <b>Current Liabilities</b>         |                | <b>-105,284</b>   |
| <b>-3,915</b>    | <b>-4,474</b>     | Provisions                         | 5.21           | <b>-3,929</b>     |
| <b>-212,217</b>  | <b>-242,108</b>   | Long Term Borrowing                | 5.22           | <b>-261,963</b>   |
| <b>-204,437</b>  | <b>-369,476</b>   | Other Long Term Liabilities        | 5.23           | <b>-236,820</b>   |
| <b>-56,660</b>   | <b>-62,839</b>    | Capital Grants Receipts in Advance | 5.37.3         | <b>-5,523</b>     |
| <b>-477,229</b>  | <b>-678,897</b>   | <b>Long Term Liabilities</b>       |                | <b>-508,235</b>   |
| <b>731,378</b>   | <b>468,742</b>    | <b>Net Assets</b>                  |                | <b>424,923</b>    |
| <b>-40,032</b>   | <b>-47,864</b>    | Usable Reserves                    | 5.24           | <b>-43,007</b>    |
| <b>-691,346</b>  | <b>-420,878</b>   | Unusable Reserves                  | 5.25           | <b>-381,916</b>   |
| <b>-731,378</b>  | <b>-468,742</b>   | <b>Total Reserves</b>              |                | <b>-424,923</b>   |

### 4.4 Cash flow statement

| Restated<br>2009-10<br>£000 |   | 2010-11<br>£000     |
|-----------------------------|---|---------------------|
| 99,402                      | Net deficit on the provision of services  | 111,328             |
| <b>-115,565</b>             | Adjustments to net surplus or deficit on the provision of services for non cash movements   | <b>-131,906</b>     |
| 9,309                       | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 11,374              |
| <b>-6,854</b>               | <b>Net cash flows from Operating Activities</b>   | <b>-9,204</b>       |
| 38,190                      | Investing Activities  | 5.27 46,027         |
| <b>-45,256</b>              | Financing Activities  | 5.28 <b>-39,045</b> |
| <b>-13,920</b>              | <b>Net increase in cash and cash equivalents</b>  | <b>-2,222</b>       |
| <b>-9,355</b>               | Cash and cash equivalents at the beginning of the reporting period  | <b>-23,275</b>      |
| <b>-23,275</b>              | Cash and cash equivalents at the end of the reporting period  | <b>-25,497</b>      |

## 5 Notes to the Financial Statements

### 5.1 Accounting Policies

The Council's objective is to ensure that for all material items:

- The appropriate accounting policies have been adopted, given the Council's circumstances to ensure the Accounts give a true and fair view;
- The accounting policies adopted are reviewed regularly to ensure that they remain appropriate; and
- Sufficient information is disclosed in the financial statements to enable users to understand the accounting policies adopted and how they have been implemented.

### Estimation Techniques

These are the methods adopted by the Council to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves.

The Authority has determined the estimation techniques that most closely reflect the economic reality of the transactions or other events to which the relevant accounting policy refers.

#### 5.1.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2010-11 financial year and its position at the year-end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003 in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010-11 and the Best Value Accounting Code of Practice 2010-11, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets

The accounts have been prepared in accordance with three fundamental concepts:

- Going Concern;
- Primacy of Legislative Requirements; and
- Accruals of Income and Expenditure.

### Going Concern



The Statement of Accounts should be prepared on a going concern basis, that is, the accounts should be prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

### **Primacy of Legislative Requirements**

Local authorities derive their powers from statute and their financial and accounting framework is closely controlled by primary and secondary legislation. To the extent that treatments are prescribed by law the accounting concepts outlined above may not apply in all cases. It is a fundamental principle of the Council's accounting that, where specific legislative requirements and accounting principles conflict, legislative requirements shall apply.

### **Accruals of Income and Expenditure**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract; and
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

#### **5.1.2 Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

### 5.1.3 Investments

The Council has adopted the CIPFA Code of Practice for Treasury Management. Investments are made in accordance with this code and the Council's Treasury Strategy Statement is approved by Members each year.

### 5.1.4 Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

### 5.1.5 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

### 5.1.6 Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service; and
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

The council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make Minimum Revenue Provision (MRP) from revenue towards the reduction in its overall borrowing requirement.

MRP is the amount of money the council has to set aside each year in respect of its capital borrowing debt. The MRP is a technical accounting entry which impacts on General Fund balances and Council Tax levels. The Capital Financing and Accounting Regulations place a duty on Local Authorities to make an MRP which is considered to be prudent and places a responsibility with the council to approve an Annual MRP Strategy.

The Regulations allow four different methods to be used for the calculation of MRP. The Council's policy is to use:

- Option 1 (the 'Regulatory method') for borrowings entered into before 1 April 2008 and for any future supported borrowing after 1 April 2008. Under this method, MRP is set at a uniform rate of 4% of the adjusted CFR on a reducing balance method; and
- Option 3 (the 'Asset Life Method') for any unsupported borrowing entered into after 1 April 2008. Under this method, MRP is spread over the estimated useful life of the asset created and is calculated using the equal instalment basis.

#### 5.1.7 Employee Benefits

##### **Benefits Payable during Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit.

##### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards.

##### **Post Employment Benefits**

Employees of the Council are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Teachers' Pensions on behalf of the Department for Education (DfE); and
- The Local Government Pensions Scheme, administered by the Council.

Both schemes provided defined benefits to members earned as employees worked for the Council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

#### 5.1.8 Pensions – IAS19

The requirements of International Accounting Standard 19 (IAS 19) are implemented in full in the accounts. The accounts include a net pension liability within the balance sheet. The change in the figure between years reflects the change in the estimated employer's assets and the present value of the scheme's liabilities. The Council's triennial valuation takes a longer term view and provides a more appropriate measure of pension obligations.

#### 5.1.9 Financial Instruments

A financial instrument is any transaction that generates an asset in the accounts of one entity and a liability in the accounts of another entity. All Financial Instruments are either classified as Financial Assets or Financial Liabilities and insofar as the Council is concerned this covers our borrowings, loans, investments, trade debtors and creditors.

The Council's financial liabilities and financial assets are carried on the balance sheet at amortised cost. The Amortised Cost on initial recognition is at equivalent fair value. However, the code requires that the Fair Value of these instruments is disclosed in the notes to the account. The Fair value of an instrument is the amount for which it could be sold for in an open market based on the present value of the future cash flows.

Premiums paid on the early settlement of debt are also classified as Financial Instruments. Regulations allow such premiums to be charged to general fund balances over the number of years equal to that which was remaining on the original loan, or to charge such premiums over a shorter time frame if desired. The council's policy is to spread the premium over the term that was remaining on the original loan which gave rise to the premium. Further information on the council's Financial Instruments is set out in the Notes to the Statements.

#### 5.1.10 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account.

### **Area Based Grant**

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ring fenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

#### **5.1.11 Inventories**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

#### **5.1.12 Investment Property**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore

reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### 5.1.13 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

### **The Council as a Lessee**

#### Finance Leases

Property, plant and equipment held under finance leases is recognised on either the Balance Sheet after the commencement of the lease, where the lease begins on or before 30 September or in the following year's Balance Sheet where the lease begins on or after 1 October. It is recognised at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

### The Council as a Lessor

#### Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

#### 5.1.14 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010-11 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation; and
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

### 5.1.15 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

#### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

#### Measurement

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management;
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located;
- The borrowing costs incurred whilst assets are under construction;

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost;
- dwellings – fair value, determined using the basis of Existing Use Value for Social Housing (EUV-SH); and
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (Existing Use Value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, Depreciated Replacement Cost (DRC) is used as an estimate of fair value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

There is a rolling programme of valuations intended to embrace the whole of the property asset portfolio of the Council over a period of five years. A review is also undertaken of the values at which each category of fixed assets is included in the Council's balance sheet at



each year-end. Where there is sufficient reason to believe that values may have changed materially since the last valuation, and that change is likely to be other than temporary, the relevant categories of assets are re-valued accordingly. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### **Impairment**

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following basis:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer: 20-80 years;
- vehicles, plant and equipment: 5 years;
- infrastructure – straight-line allocation: 10-80 years;
- Freehold land has not been depreciated;
- Newly acquired or completed assets are depreciated in the year following acquisition or completion; and
- The Council's Housing dwellings have been depreciated by an amount equal to the Major Repairs Allowance.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

## Disposals

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### 5.1.16 Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease); and
- lifecycle replacement costs – a proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

#### 5.1.17 Provisions and Contingent Liabilities

##### **Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

##### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

#### 5.1.18 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Some are required to be held for statutory reasons, some are needed to

comply with proper accounting practice and others have been set up voluntarily for earmarked purposes that fall outside the definition of provisions.

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

#### 5.1.19 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

#### 5.1.20 VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

#### 5.1.21 Collection Fund

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates (NNDR). The key features relevant to accounting for Council Tax in the core financial statements are:

- In its capacity as a billing authority the Council acts as agent; it collects and distributes Council Tax income on behalf of the major preceptors and itself;
- While the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the billing authority or paid out of the Collection Fund to major preceptors;
- Up to 2008-09 the Code of Practice ('The Code') required the Council Tax income included in the Income and Expenditure Account to be that specified under regulation; and
- From the year commencing 1 April 2009 the Council Tax income included in the Income and Expenditure Account for the year is to be the accrued income for the year. The difference between the income included in the Income and Expenditure Account and the amount specified by regulation to be credited to the Collection Fund is to be taken to the Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance.

Since the collection of Council Tax and NNDR Income is in substance an agency arrangement:

- Cash collected by the billing authority from Council Tax debtors belongs proportionately to the billing authority and the major preceptors. There will be therefore a debtor/creditor position between the billing authority and each major preceptor to be recognised since the net cash paid to each major preceptor in the year will not be its share of the cash collected from Council Taxpayers; and
- Cash collected from NNDR taxpayers by billing authorities (net of the cost of collection allowance) belongs to the Government; therefore a debtor/creditor position is recognised in the balance sheet.

## **5.2 Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in Note 5.1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision; and
- The council has reviewed its significant contractual arrangements and has determined that none of these give rise to a service concession under IFRIC 12 or embedded lease arrangements under IFRIC 14.

## **5.3 Assumptions made about the future and other major sources of estimation uncertainty**

### **Property, Plant and Equipment**

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.

It is estimated that there would not be any significant increase in the annual depreciation charge if the useful life of the assets is reduced.

### **Pensions Liability**

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries (Hymans Robertson LLP) is engaged to provide the Council with expert advice about the assumptions to be applied.

The Council's actuary advised that the underlying bond yields that form the foundation for the adopted discount rate assumption were the same at the date of the last triennial valuation (31 March 2010) as they were at the previous valuation. The actuary's asset out performance assumption has also remained constant, providing justification for the discount rate used to estimate the cost of future benefit payments remaining unchanged. Furthermore, the actuary has subsequently advised that the same discount rate should be rolled forward in the calculation of the present value of promised retirement benefits at 31 March 2011.

Given this view on stability of the discount rates, the Council has assumed that rates previously adopted will prevail until subsequently advised to the contrary. The effect of a 0.5% decrease in the real discount rate would be to increase the Employer Liability by approximately 9% (£56.3m).

The assumptions interact in complex ways. During 2010-11, the actuary advised that the actuarial present value of the promised retirement benefits net pensions liability had decreased by £108m. Similarly, the scheme deficit has decreased by £134m as a result of experience, estimates being corrected and the updating of underlying assumptions.

#### **5.4 Events after the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Interim Director of Finance on 30 June 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## 5.5 Adjustment between accounting basis and funding basis under regulations

| 2010-11  | Usable Reserves            |                               |                                |                             |                                | Movement<br>in<br>Unusable<br>Reserves |
|--|----------------------------|-------------------------------|--------------------------------|-----------------------------|--------------------------------|--|
|  | General<br>Fund<br>Balance | Housing<br>Revenue<br>Account | Capital<br>Receipts<br>Reserve | Major<br>Repairs<br>Reserve | Capital<br>Grants<br>Unapplied |  |
|  | £000                       | £000                          | £000                           | £000                        | £000                           | £000                                   |
| <b>Adjustments involving the Capital Adjustment Account:</b>               |                            |                               |                                |                             |                                |  |
| <b>Reversal of items debited or credited to the CIES:</b>                  |                            |                               |                                |                             |                                |  |
| Depreciation   | -30,233                    | -3,987                        |                                |                             |                                | -34,220                                |
| Impairment   | -93,512                    | -125,972                      |                                |                             |                                | -219,484                               |
| Movements in the market value of Investment Properties                     | 490                        | 47                            |                                |                             |                                | 537                                    |
| Capital grants and contributions   | 72,400                     | 289                           |                                |                             | 1,654                          | 74,343                                 |
| Revenue expenditure funded from capital under statute                      | -5,834                     | 0                             |                                |                             |                                | -5,834                                 |
| Non Current assets written out on disposal                                 | -3,655                     | -5,015                        |                                |                             |                                | -8,670                                 |
| <b>Insertion of items not debited or credited to the CIES:</b>             |                            |                               |                                |                             |                                |  |
| Minimum Revenue Provision  | 12,062                     | 23                            |                                |                             |                                | 12,085                                 |
| Capital expenditure charged against the General Fund and HRA balances      | 290                        | 0                             |                                |                             |                                | 290                                    |
| <b>Adjustments involving the Capital Receipts Reserve:</b>                 |                            |                               |                                |                             |                                |  |
| Transfer of sale proceeds credited to the CIES                             | 5,052                      | 1,327                         | -6,349                         |                             |                                | 30                                     |
| Use of the Capital Receipts Reserve to finance new capital expenditure     |                            |                               |                                | 5,462                       |                                | 5,462                                  |
| Less Administrative Cost of disposals                                      | -106                       | -10                           | 116                            |                             |                                | 0                                      |
| Less payments to the Capital Receipt Pool                                  | -690                       |                               | 690                            |                             |                                | 0                                      |
| <b>Adjustment involving the Major Repairs Reserve</b>                      |                            |                               |                                |                             |                                |  |
| Reversal of Major Repairs Allowance credited to the HRA                    |                            | 3,932                         |                                | -3,932                      |                                | 0                                      |
| Use of the Major Repairs Reserve to finance new capital expenditure        |                            |                               |                                | 3,932                       |                                | 3,932                                  |
| <b>Adjustments involving the Financial Instruments Adjustment Account:</b> |                            |                               |                                |                             |                                |  |
| Premiums and Discounts on Debt Restructure                                 | -249                       | 220                           |                                |                             |                                | -29                                    |
| <b>Adjustments involving the Pensions Reserve:</b>                         |                            |                               |                                |                             |                                |  |
| Charges made for retirement benefits in accordance with IAS19              | 45,085                     | -377                          |                                |                             |                                | 44,708                                 |
| Employer's pensions contributions payable in the year                      | 19,363                     | 350                           |                                |                             |                                | 19,713                                 |
| <b>Adjustments involving the Collection Fund Adjustment Account:</b>       |                            |                               |                                |                             |                                |  |
|  | 795                        |                               |                                |                             |                                | 795                                    |
| <b>Adjustment involving the Accumulating Compensated Absences Account</b>  |                            |                               |                                |                             |                                |  |
|  | -225                       | 20                            |                                |                             |                                | -205                                   |
| <b>Total Adjustments</b>   | <b>21,033</b>              | <b>-129,153</b>               | <b>-81</b>                     | <b>0</b>                    | <b>1,654</b>                   | <b>-106,547</b>                        |

## Notes to the Financial Statements

| 2009-10  | Usable Reserves       |                         |                          |                       |                          | Movement in Unusable Reserves |
|--|-----------------------|-------------------------|--------------------------|-----------------------|--------------------------|-------------------------------|
|  | General Fund Balances | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied |                               |
|  | £000                  | £000                    | £000                     | £000                  | £000                     | £000                          |
| <b>Adjustments involving the Capital Adjustment Account:</b>               |                       |                         |                          |                       |                          |                               |
| <u>Reversal of items debited or credited to the CIES:</u>                  |                       |                         |                          |                       |                          |                               |
| Depreciation   | -27,031               | -3,825                  |                          |                       |                          | -30,856                       |
| Impairment   | -160,956              | 36,860                  |                          |                       |                          | -124,096                      |
| Movements in the market value of Investment Properties                     | -1,480                | -2,057                  |                          |                       |                          | -3,537                        |
| Capital grants and contributions   | 42,761                |                         |                          |                       | -957                     | 41,804                        |
| Revenue expenditure funded from capital under statute                      | -1,178                |                         |                          |                       |                          | -1,178                        |
| Non Current assets written out on disposal                                 | -105                  | -965                    |                          |                       |                          | -1,070                        |
| <u>Insertion of items not debited or credited to the CIES:</u>             |                       |                         |                          |                       |                          |                               |
| Minimum Revenue Provision  | 9,002                 |                         |                          |                       |                          | 9,002                         |
| Capital expenditure charged against the General Fund and HRA balances      | 122                   |                         |                          |                       |                          | 122                           |
| <b>Adjustments involving the Capital Receipts Reserve:</b>                 |                       |                         |                          |                       |                          |                               |
| Transfer of sale proceeds credited to the CIES                             | 913                   | 2,045                   | -2,958                   |                       |                          | 0                             |
| Use of the Capital Receipts Reserve to finance new capital expenditure     |                       |                         | 1,314                    |                       |                          | 1,314                         |
| Less Administrative Cost of disposals                                      | -37                   |                         | 37                       |                       |                          | 0                             |
| Less payments to the Capital Receipt Pool                                  | -1,346                |                         | 1,346                    |                       |                          | 0                             |
| <b>Adjustment involving the Major Repairs Reserve</b>                      |                       |                         |                          |                       |                          |                               |
| Reversal of Major Repairs Allowance credited to the HRA                    |                       | 3,778                   |                          | -3,778                |                          | 0                             |
| Use of the Major Repairs Reserve to finance new capital expenditure        |                       |                         |                          | 3,778                 |                          | 3,778                         |
| <b>Adjustments involving the Financial Instruments Adjustment Account:</b> |                       |                         |                          |                       |                          |                               |
| Premiums and Discounts on Debt Restructure                                 | -249                  | 230                     |                          |                       |                          | -19                           |
| <b>Adjustments involving the Pensions Reserve:</b>                         |                       |                         |                          |                       |                          |                               |
| Charges made for retirement benefits in accordance with IAS19              | -23,999               | -337                    |                          |                       |                          | -24,336                       |
| Employer's pensions contributions payable in the year                      | 19,084                | 470                     |                          |                       |                          | 19,554                        |
| <b>Adjustments involving the Collection Fund Adjustment Account:</b>       |                       |                         |                          |                       |                          |                               |
|  | 1,125                 |                         |                          |                       |                          | 1,125                         |
| <b>Adjustment involving the Accumulating Compensated Absences Account</b>  |                       |                         |                          |                       |                          |                               |
|  | 1,230                 | 6                       |                          |                       |                          | 1,236                         |
| <b>Total Adjustments</b>   | <b>-142,144</b>       | <b>36,205</b>           | <b>-261</b>              | <b>0</b>              | <b>-957</b>              | <b>-107,157</b>               |

## 5.6 Transfers to/from Earmarked Reserves



## Notes to the Financial Statements

|  | Balance<br>at<br>1-Apr-09<br>£000 | Transfers<br>Out<br>2009-10<br>£000 | Transfers<br>In<br>2009-10<br>£000 | Balance<br>at<br>31-Mar-10<br>£000 | Transfers<br>Out<br>2010-11<br>£000 | Transfers<br>In<br>2010-11<br>£000 | Balance<br>at<br>31-Mar-11<br>£000 |
|--|-----------------------------------|-------------------------------------|------------------------------------|------------------------------------|-------------------------------------|------------------------------------|------------------------------------|
| <b>General Fund:</b>                                     |                                   |                                     |                                    |                                    |                                     |                                    |                                    |
| Balances held by schools<br>under a scheme of delegation | -10,131                           |                                     | -2,977                             | -13,108                            |                                     | -1,691                             | -14,799                            |
| Compensatory Added Years<br>Service                      | 0                                 |                                     | -1,069                             | -1,069                             | 75                                  | -13                                | -1,007                             |
| Transformation Programme                                 | -500                              | 445                                 | -1,002                             | -1,057                             | 909                                 | -282                               | -430                               |
| Borough Elections  | -151                              |                                     | -76                                | -227                               | 227                                 |                                    | 0                                  |
| Building Schools for the future                          | -400                              |                                     | 0                                  | -400                               | 400                                 |                                    | 0                                  |
| Harvist reserve_harrow Share<br>NW London Education      | -26                               | 30                                  | -14                                | -10                                |                                     | -13                                | -23                                |
| Business Partnership                                     | -93                               |                                     | 0                                  | -93                                |                                     |                                    | -93                                |
| PFI Schools  | -4,017                            | 492                                 | -446                               | -3,971                             | 2,336                               | -2,101                             | -3,736                             |
| Personal Injury Reserve                                  | -103                              |                                     | -7                                 | -110                               |                                     |                                    | -110                               |
| Projects in progress                                     | -2,369                            | 2361                                | -3,605                             | -3,613                             | 3,402                               | -2,001                             | -2,212                             |
| Bad Debt Reserve   | -250                              | 75                                  |                                    | -175                               | 175                                 |                                    | 0                                  |
| Insurance reserve  | -500                              |                                     |                                    | -500                               |                                     |                                    | -500                               |
| Litigation and employment<br>related Reserve             | -515                              | 496                                 | -757                               | -776                               | 221                                 |                                    | -555                               |
| Local Housing Allowance                                  |                                   |                                     |                                    | 0                                  |                                     | -300                               | -300                               |
| Revenue Grant Reserve                                    | -2,671                            |                                     | -47                                | -2,718                             | 2,669                               | 0                                  | -49                                |
| Revenue Contribution for Capital from Schools            |                                   |                                     |                                    | 0                                  |                                     | -818                               | -818                               |
| PFI Neighbourhood Resource<br>Centre                     | 0                                 | 5                                   | -297                               | -292                               | 838                                 | -1,047                             | -501                               |
| <b>Total</b>   | <b>-21,726</b>                    | <b>3,904</b>                        | <b>-10,297</b>                     | <b>-28,119</b>                     | <b>11,252</b>                       | <b>-8,266</b>                      | <b>-25,133</b>                     |

## 5.7 Other Operating Expenditure

| 2009-10<br>£000 |  | 2010-11<br>£000 |
|-----------------|--|-----------------|
|                 | <b>Levies</b>  |                 |
| 748             | London Boroughs Grants Committee                         | 748             |
| 348             | London Pension Fund Authority                            | 330             |
| 6,284           | WLWA   | 6,983           |
| 264             | Lee Valley   | 264             |
| 172             | Environment Agency                                       | 172             |
| <u>7,816</u>    | Sub Total Levies   | <u>8,497</u>    |
| 1,346           | Payments to the Government Housing Capital Receipts Pool | 690             |
| -1,853          | Gains/losses on the disposal of non current assets       | 2,407           |
| <u>7,309</u>    | <b>Total</b>   | <u>11,594</u>   |

**5.8 Financing and investment income and expenditure**

| 2009-10<br>£000 |   | 2010-11<br>£000 |
|-----------------|---|-----------------|
| 12,178          | Interest payable and similar charges  | 13,636          |
| 13,684          | Pensions interest cost and expected return on pensions assets                               | 8,305           |
| -1,559          | Interest receivable and similar income  | -1,121          |
| 1,796           | Income and expenditure in relation to investment properties and changes in their fair value | -1,321          |
| <u>26,099</u>   | <b>Total</b>  | <u>19,499</u>   |

**5.9 Taxation and non specific grant incomes**

| 2009-10<br>£000 |                                  | 2010-11<br>£000 |
|-----------------|----------------------------------|-----------------|
| -103,177        | Council tax income               | -104,716        |
| -54,262         | Non domestic rates               | -59,172         |
| -9,243          | Area Based Grant                 | -11,960         |
| -12,524         | Revenue Support Grant            | -8,592          |
| -42,760         | Capital grants and contributions | -72,689         |
| <u>-221,966</u> | <b>Total</b>                     | <u>-257,129</u> |

## 5.10 Property, Plant and Equipment

2010-11

|   | Council<br>Dwellings | Other Land<br>and<br>Buildings | Vehicles,<br>Plant,<br>furniture &<br>Equipment | Infrastructure<br>Assets | Community<br>Assets | Assets Under<br>Construction | Total<br>Property,<br>Plant and<br>Equipment | PFI Assets<br>Included in<br>Property, Plant<br>and Equipment |
|---|----------------------|--------------------------------|---|--------------------------|---------------------|------------------------------|--|---|
|   | £000                 | £000                           | £000  | £000                     | £000                | £000                         | £000   | £000  |
| <b>Cost or Valuation</b>  |                      |                                |   |                          |                     |                              |  |   |
| At 1 April 2010   | 417,540              | 516,763                        | 89,891  | 163,000                  | 1                   | 59,538                       | 1,246,733                                    | 27,100  |
| Additions   | 5,127                | 26,199                         | 8,023   | 7,231                    | 0                   | 5,498                        | 52,078                                       | 357   |
| Revaluation increases recognised in the<br>Revaluation Reserve  | 0                    | 3,618                          | 0   | 0                        | 0                   | 0                            | 3,618  | 0   |
| Impairment reversals recognised in the<br>Provision of Services | 0                    | 3,091                          | 0   | 0                        | 0                   | 0                            | 3,091  | 0   |
| Assets reclassified from AUC                                    | 46                   | 47,331                         | 2,673   | 1,410                    | 0                   | -51,460                      | 0  | 15  |
| Derecognition - Disposals                                       | -289                 | -2,198                         | 0   | 0                        | 0                   | 0                            | -2,487                                       | 0   |
| Derecognition - Other   | -4,505               | -11,567                        | 0   | 0                        | 0                   | 0                            | -16,072                                      | 0   |
| <b>At 31 March 2011</b>   | <b>417,919</b>       | <b>583,237</b>                 | <b>100,587</b>                                  | <b>171,641</b>           | <b>1</b>            | <b>13,576</b>                | <b>1,286,961</b>                             | <b>27,472</b>   |
| <b>Accumulated Depreciation and Impairment</b>                  |                      |                                |   |                          |                     |                              |  |   |
| At 1 April 2010   | -18,007              | -35,415                        | -45,132   | -57,011                  | 0                   | 0                            | -155,565                                     | -1,004  |
| Depreciation charge   |                      |                                |   |                          |                     |                              |  |   |
| Depreciation written out to the Revaluation<br>Reserve          | 0                    | -134                           | 0   | 0                        | 0                   | 0                            | -134   | 0   |
| Depreciation charges for 2010-11                                | -3,932               | -5,922                         | -16,286   | -7,946                   | 0                   | 0                            | -34,086                                      | -316  |
| Impairment recognised in the Revaluation<br>Reserve             | 0                    | -5,485                         | 0   | 0                        | 0                   | 0                            | -5,485                                       | -1,285  |
| Impairment for 2010-11 charged to Provision of<br>Service       | -126,235             | -84,773                        | 0   | 0                        | 0                   | 0                            | -211,008                                     | -269  |
| <b>At 31 March 2011</b>   | <b>269,745</b>       | <b>451,508</b>                 | <b>39,169</b>                                   | <b>106,684</b>           | <b>1</b>            | <b>13,576</b>                | <b>880,683</b>                               | <b>24,598</b>   |
| <b>Net Book Value</b>   |                      |                                |   |                          |                     |                              |  |   |
| <b>At 31 March 2011</b>   | <b>269,745</b>       | <b>451,508</b>                 | <b>39,169</b>                                   | <b>106,684</b>           | <b>1</b>            | <b>13,576</b>                | <b>880,683</b>                               | <b>24,598</b>   |
| <b>At 31 March 2010</b>   | <b>399,533</b>       | <b>481,348</b>                 | <b>44,761</b>                                   | <b>105,988</b>           | <b>1</b>            | <b>59,538</b>                | <b>1,091,169</b>                             | <b>26,096</b>   |

2009-10

|   | Council<br>Dwellings | Other Land<br>and<br>Buildings | Vehicles,<br>Plant,<br>furniture &<br>Equipment | Infrastructure<br>Assets | Community<br>Assets | Assets<br>Under<br>Constructio<br>n | Total<br>Property,<br>Plant and<br>Equipment | PFI Assets<br>Included in<br>Property,<br>Plant and<br>Equipment |
|---|----------------------|--------------------------------|---|--------------------------|---------------------|-------------------------------------|--|--|
|   | £000                 | £000                           | £000  | £000                     | £000                | £000                                | £000   | £000   |
| <b>Cost or Valuation</b>  |                      |                                |   |                          |                     |                                     |  |  |
| At 1 April 2009   | 369,849              | 658,056                        | 74,195  | 148,384                  | 1                   | 43,601                              | 1,294,086                                    | 23,731   |
| Additions   | 11,107               | 21,092                         | 15,648  | 9,773                    | 566                 | 41,467                              | 99,653                                       | 8,196  |
| Revaluation increases recognised in the<br>Revaluation Reserve  | 37,305               | 9,895                          | 0   | 0                        | 0                   | 0                                   | 47,200                                       | 0  |
| Impairment reversals recognised in the Provision<br>of Services | 36,858               | 92                             | 0   | 0                        | 0                   | 0                                   | 36,950                                       | 0  |
| Assets reclassified from AUC                                    | 0                    | 20,639                         | 49  | 4,842                    | 0                   | -25,530                             | 0  | 0  |
| Derecognition - Disposals                                       | -722                 | -244                           | 0   | 0                        | 0                   | 0                                   | -966   | 0  |
| Derecognition - Other   | 0                    | -7,047                         | 0   | 0                        | 0                   | 0                                   | -7,047                                       | 0  |
| <b>At 31 March 2010</b>   | <b>454,397</b>       | <b>702,483</b>                 | <b>89,892</b>                                   | <b>162,999</b>           | <b>567</b>          | <b>59,538</b>                       | <b>1,469,876</b>                             | <b>31,927</b>  |
| <b>Accumulated Depreciation and Impairment</b>                  |                      |                                |   |                          |                     |                                     |  |  |
| At 1 April 2009   | -14,228              | -30,166                        | -31,938   | -49,778                  | 0                   | 0                                   | -126,110                                     | -710   |
| Depreciation charge   |                      |                                |   |                          |                     |                                     | 0  |  |
| Depreciation written out to the Revaluation<br>Reserve          | -380                 | -30                            | 0   | 0                        | 0                   | 0                                   | -410   | 0  |
| Depreciation charges for 2009-10                                | -3,398               | -6,611                         | -13,193   | -7,233                   | 0                   | 0                                   | -30,435                                      | -294   |
| Impairment recognised in the Revaluation Reserve                | -36,858              | -23,846                        | 0   | 0                        | 0                   | 0                                   | -60,704                                      | 0  |
| Impairment for 2009-10 charged to Provision of<br>Service       | 0                    | -160,482                       | 0   | 0                        | -566                | 0                                   | -161,048                                     | -4,827   |
| <b>At 31 March 2010</b>   | <b>399,533</b>       | <b>481,348</b>                 | <b>44,761</b>                                   | <b>105,988</b>           | <b>1</b>            | <b>59,538</b>                       | <b>1,091,169</b>                             | <b>26,096</b>  |

### 5.10.1 Depreciation

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer: 20-80 years;
- vehicles, plant and equipment: 5 years;
- infrastructure – straight-line allocation: 10-80 Years;
- Freehold land has not been depreciated;
- Newly acquired or completed assets are depreciated in the year following acquisition or completion; and
- The Council's Housing dwellings have been depreciated by an amount equal to the Major Repairs Allowance.

### 5.10.2 Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally as at 1 April 2010. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost;
- dwellings – fair value, determined using the basis of Existing Use Value for Social Housing (EUV-SH); and
- all other assets – fair value, determined as the amount that would be paid for the asset in its Existing Use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, Depreciated Replacement Cost (DRC) is used as an estimate of fair value.

In the case of non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

The HRA portfolio was valued in line with the 5 year rolling programme. The Land Registry index was used to calculate any material adjustments required to effect the movement in the property price index for operational HRA properties between 1 April 2010 and 31 March 2011. This has resulted in a downward revaluation during the year of £126.2m (2009-10 resulted in a £37.3m upward revaluation).

## Notes to the Financial Statements

|                             | Council<br>Dwellings<br>£000 | Other Land<br>& Buildings<br>£000 | Asset Under<br>Construction<br>£000 | Investment<br>Property<br>£000 | Vehicles,<br>Plant and<br>Equipment<br>Inc leased<br>£000 | Total<br>£000  |
|-----------------------------|------------------------------|-----------------------------------|-------------------------------------|--------------------------------|---|----------------|
| Valued at historical cost   |                              |                                   |                                     |                                | 39,169  | 39,169         |
| Valued at current value in: |                              |                                   |                                     |                                |   |                |
| <b>2010-11</b>              | <b>269,745</b>               | <b>451,508</b>                    | <b>13,576</b>                       | <b>23,681</b>                  |   | <b>758,510</b> |
| 2009-10                     | 399,533                      | 481,348                           | 59,538                              | 24,822                         |   | 965,241        |
| 2008-09                     | 355,622                      | 627,665                           | 43,601                              | 18,636                         |   | 1,045,524      |
| 2007-08                     | 400,441                      | 550,300                           |                                     | 59,818                         |   | 1,010,559      |
| 2006-07                     | 369,188                      | 564,965                           |                                     | 50,483                         |   | 984,636        |
| 2005-06                     | 352,854                      | 555,563                           |                                     | 36,305                         |   | 944,722        |
| 2004-05                     | 358,561                      | 567,988                           |                                     | 29,012                         |   | 955,561        |

### 5.10.3 Impairment losses

| 2009-10              |             |               | 2010-11                                    |                      |             |               |
|----------------------|-------------|---------------|--|----------------------|-------------|---------------|
| General Fund<br>£000 | HRA<br>£000 | Total<br>£000 |  | General Fund<br>£000 | HRA<br>£000 | Total<br>£000 |
| 184,894              | -36,858     | 148,036       | Total Impairment                           | 98,711               | 126,258     | 224,969       |
|                      |             |               | Impairment Charged to Revaluation          |                      |             |               |
| -23,938              |             | -23,938       | Reserve                                    | -5,199               | -286        | -5,485        |
| 160,956              | -36,858     | 124,098       | Impairment charged to Provision of Service | 93,512               | 125,972     | 219,484       |

#### 5.10.4 Capital Financing

| 2009-10        |   | 2010-11        |
|----------------|---|----------------|
| £000           |   | £000           |
| 257,094        | Opening Capital Financing Requirement                 | 292,920        |
|                | <u>Capital Investment</u>                             |                |
| 94,538         | Property, Plant and Equipment                         | 52,113         |
| 5,275          | Vehicle, Plant and Equipment - Leased                 | 3,674          |
| 7,746          | Revenue Expenditure Funded from Capital under Statute | 5,834          |
|                | <i>Sources of finance</i>                             |                |
| -1,315         | Capital receipts                                      | -5,461         |
| -57,516        | Government grants and other contributions             | -26,101        |
|                | Sums set aside from revenue:                          |                |
| -3,900         | • Direct revenue contributions                        | -4,222         |
| -9,002         | • [MRP/loans fund principal]                          | -12,089        |
| <u>292,920</u> | Closing Capital Financing Requirement                 | <u>306,668</u> |
|                | <i>Explanation of movements in year</i>               |                |
| 6,872          | Increase in supported borrowing                       | 6,703          |
| 26,382         | Increase in unsupported borrowing                     | 15,460         |
| 5,275          | Assets acquired under finance leases                  | 3,674          |
| 6,299          | Assets acquired under PFI/PPP contracts               | 0              |
| -9,002         | Minimum Revenue provision                             | -12,089        |
| <u>35,826</u>  | Increase in Capital Financing Requirement             | <u>13,748</u>  |

## 5.10.5 Property Plant and Equipment Statistical Analysis

| 31-Mar-10<br>Number   | Fixed Asset                      | 31-Mar-11<br>Number |
|---|----------------------------------|---------------------|
| 19  | Adults - Residential/Day Centres | 18                  |
| 33  | Allotments                       | 33                  |
| 59  | Car Ports                        | 59                  |
| 8   | Cemetries                        | 8                   |
| 1   | Central Depot                    | 1                   |
| 11  | Childrens Services               | 11                  |
| 1   | Civic Amenity Site               | 1                   |
| 1   | Civic Centre Complex             | 1                   |
| 10  | Community Centres                | 10                  |
| 3   | Community Halls                  | 3                   |
| 3   | Day Nursery                      | 3                   |
| 5058  | Dwellings                        | 4966                |
| 993   | Garages                          | 977                 |
| 8   | High Schools                     | 8                   |
| 1   | Hostel for the Homeless Count    | 1                   |
| 44  | Investment Properties            | 41                  |
| 1   | Leisure Centre Complex           | 1                   |
| 8   | Libraries                        | 8                   |
| 18  | Off Street Car Park              | 18                  |
| 4   | Offices                          | 4                   |
| 43  | Other Land and Buildings (GF)    | 41                  |
| 27  | Other Land and Buildings (HRA)   | 27                  |
| 6   | Playing Fields                   | 6                   |
| 30  | Primary Schools                  | 30                  |
| 10  | Public Conveniences              | 10                  |
| 11  | School keeper houses             | 9                   |
| 4   | Special School                   | 4                   |
| 1   | Swimming Pool (unattached)       | 1                   |
| 1   | Teachers Centre                  | 1                   |
| 1   | Travellers' Caravan Site         | 1                   |
| 1   | Youth Club                       | 1                   |
| 579   | Parks & Open Spaces (hectares)   | 579                 |
| 481   | Highways (km)                    | 481                 |
| <b>Voluntary aided schools not included in the assets of the authority, as shown below:</b> |                                  |                     |
| 2   | High Schools                     | 2                   |
| 7   | Primary Schools                  | 7                   |

### 5.10.6 Capital Commitments

The Council is committed to a Capital Investment Plan for the next 3 years which contains the following major schemes and initiatives;

|   | 2011-12<br>£000 | 2012-13<br>£000 | 2013-14<br>£000 |
|---|-----------------|-----------------|-----------------|
| Business Transformation Programme                       | 17,889          | 6,931           | 6,051           |
| Information Technology Investment                       | 2,683           | 806             | 0               |
| Social Care Sites                                       | 1,250           | 650             | 150             |
| School Amalgamation                                     | 3,000           | 0               | 0               |
| Schools Capital Projects                                | 4,850           | 2,150           | 50              |
| School Capital Maintenance                              | 200             | 4,600           | 6,700           |
| Disabled Facilities Grants                              | 845             | 845             | 845             |
| Affordable Warmth, Empty Property and Renovation Grants | 765             | 765             | 765             |
| Corporate Buildings - Capital Maintenance               | 690             | 690             | 690             |
| Carbon Commitment                                       | 100             | 100             | 100             |
| Headstone Manor refurbishment                           | 250             | 1,500           | 0               |
| Public Realm Infrastructure                             | 5,989           | 5,420           | 5,420           |
| Public Realm Maintenance                                | 160             | 150             | 150             |
| Prosperity Action Teams                                 | 310             | 310             | 310             |
| School Landlord Works                                   | 750             | 750             | 750             |
| Transport for London Schemes                            | 2,249           | 2,278           | 1,938           |
| Sports and Leisure Sites                                | 100             | 100             | 100             |
| Strategic Development                                   | 3,600           | 4,235           | 3,000           |
| Housing Improvement (HRA)                               | 6,360           | 6,360           | 6,160           |
| Other   | 225             | 1,200           | 200             |

## 5.11 Leases

### 5.11.1 The council as Lessee

#### 5.11.1.1 Finance Leases

The majority of the Council's finance leases relate to its fleet of vehicles, for which there were new acquisitions during the year. The remainder of assets acquired under finance leases are photocopiers and office equipment, some of which are located at its schools.

The assets acquired under finance leases are generally carried as vehicles, plant, furniture and equipment in the balance sheet, at the following net amounts:

| 31-Mar-10<br>£000 |  | 31-Mar-11<br>£000 |
|-------------------|--|-------------------|
| 5,060             | Vehicles, Plant, Furniture and Equipment | 6,905             |
| 10                | Other Land and Buildings                 | 10                |
| <u>5,070</u>      |  | <u>6,915</u>      |

The Council is committed to making minimum payments under these leases, comprising settlement of the long-term liability for the interest in the assets acquired and finance costs



that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

| 31-Mar-10<br>£000 |  | 31-Mar-11<br>£000 |
|-------------------|--|-------------------|
|                   | Finance lease liabilities (net present value of minimum lease payments): |                   |
| 1,137             | • current  | 1,486             |
| 4,138             | • non current  | 5,743             |
| 1,231             | Finance costs payable in future years                                    | 936               |
| <u>6,506</u>      | Minimum lease payments   | <u>8,165</u>      |

The minimum lease payments will be payable over the following periods:

|                                   | Minimum Lease Payments |              | Finance Lease Liabilities |              |
|-----------------------------------|------------------------|--------------|---------------------------|--------------|
|                                   | 31-Mar-11              | 31-Mar-10    | 31-Mar-11                 | 31-Mar-10    |
|                                   | £000                   | £000         | £000                      | £000         |
| Not later than one year           | 1,836                  | 1,558        | 1,486                     | 1,137        |
| Later than one year and not later | 5,650                  | 4,169        | 5,068                     | 3,396        |
| Later than five years             | 679                    | 779          | 675                       | 742          |
|                                   | <u>8,165</u>           | <u>6,506</u> | <u>7,229</u>              | <u>5,275</u> |

Minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010-11 £2.2m contingent rents were payable by the authority (2009-10 £2.1m).

#### 5.11.1.2 Operating Leases

The Council continues to enter into operating leases, principally in respect of properties and also for some of its vehicle fleet. Properties leased include Premier House, Wealdstone, with the local Primary Care Trust, as well as some libraries and car parks. Contract end dates vary, with some of the properties being long leases in excess of twenty years.

The future minimum lease payments due under non-cancellable leases in future years are:

| 2009-10<br>£000 |   | 2010-11<br>£000 |
|-----------------|---|-----------------|
| 743             | Not later than one year                           | 750             |
| 1,283           | Later than one year and not later than five years | 970             |
| 2,744           | Later than five years                             | 2,421           |
| <u>4,770</u>    |   | <u>4,141</u>    |

The expenditure relating to minimum lease payments charged to the Comprehensive Income and Expenditure Statement during the year in relation to the operating leases was:

| 2009-10<br>£000 |   | 2010-11<br>£000 |
|-----------------|---|-----------------|
| 10              | Democratic Representation and Management                | 10              |
|                 | Children's and Education Services                       | 2               |
| 10              | Adult Social Care                                       | 10              |
| 689             | Cultural Environmental Regulatory and Planning Services | 740             |
| 8               | Highways and Transport Services                         | 8               |
| 3               | Housing Services ( HRA)                                 | 6               |
| <u>720</u>      |   | <u>776</u>      |

#### 5.11.2 The Council as Lessor

##### 5.11.2.1 *Finance Leases*

The Council does not lease out any assets under finance lease arrangements, when acting as lessor.

##### 5.11.2.2 *Operating Leases*

The Council leases out property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities and community centres;
- for economic development purposes; and

44 of the operating leases have been classified as investment properties, generating a rental stream of £0.661m in 2010-11. These include flats, small operational properties and car parking spaces. The balance of properties is included in Vehicles, Plant, Furniture and Equipment, for which only nominal rental income is charged.

The future minimum lease payments receivable under non-cancellable leases in future years are:

| 31-Mar-10<br>£000 | Land and Buildings                                | 31-Mar-11<br>£000 |
|-------------------|---|-------------------|
| 1,125             | Not later than one year                           | 1,189             |
| 3,497             | Later than one year and not later than five years | 3,745             |
| 14,214            | Later than five years                             | 14,301            |
| <u>18,836</u>     |   | <u>19,235</u>     |

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

The Council leases out one office building at £0.051m per annum and one piece of land at a peppercorn rent under a sublease.

## 5.12 Private Finance Initiatives and Similar Contracts

The Council has entered into three PFI contracts.

### 5.12.1 Sancroft Hall

This is a residential and day care facility. The contract is for both the provision of the facilities and the care of the residents, and day care attendees. The site was sold by the Council to the provider and the establishment became operational in November 1999. The Council pays a unitary charge for these services which are subject to payment deductions for service and availability failures and to indexation based on the GDP deflator. The Council receives an annual Government grant which is credited to revenue in the year of receipt.

The contract ends in October 2024 and at the end of the contract the provider retains the assets. The Council is entitled to step in rights in the event of default by the provider.

The assets under the Sancroft contract do not revert back to the Council and therefore cannot be treated as a Service Concession Arrangement under IFRIC 12. Under the current accounting rules the contract does not also meet the requirements of a finance lease under SSAP 21, and has been treated as an operating lease during the year. The unitary payments are therefore treated as being expended during the year and the asset remains off the Council's balance sheet.

|                               | Payment for<br>Services | Reimbursement<br>of Capital<br>Expenditure | Interest | Principal<br>Repayment<br>and<br>contingent<br>Rent | Total  |
|-------------------------------|-------------------------|--|----------|---|--------|
|                               | £000                    | £000                                       | £000     | £000  | £000   |
| Sancroft                      |                         |  |          |   |        |
| Payable in 2011-12            | 1,148                   | 17   | 121      | 159   | 1,445  |
| Payable within 2 to 5 years   | 4,921                   | 147  | 425      | 698   | 6,191  |
| Payable within 6 to 10 years  | 6,960                   | 208  | 367      | 1,221   | 8,756  |
| Payable within 11 to 15 years | 5,613                   | 122  | 109      | 1,217   | 7,061  |
| Total                         | 18,642                  | 494  | 1,022    | 3,295   | 23,453 |

### 5.12.2 Special Schools & Neighbourhood Resource Centres

The special schools PFI arrangement relates to two new schools for pupils with learning disabilities, and the refurbishment of a first and middle school. The contract is for the provision of the facilities on Council sites under licence to the provider. The works were phased in and the three schools were fully operational by February 2006.

Three Neighbourhood Resource Centres (NRC) have been provided under the Local Improvement Finance Trust (LIFT) initiative on Council sites under licence to the provider. These became operational in May 2009 with the contract lasting for 25 years. The NRC PFI is a LIFT contract and these assets are brought onto the balance sheet as a result of Audit Commission Guidance of 13 March 2009: Accounting for LIFT Schemes under International Financial Reporting Standards.

Under both arrangements, the Council pays a unitary charge which is subject to payment deductions for service and availability failures, and increases each year for inflation based on RPI. The Council receives a Government Grant on an annuity basis with the impact of the grant evened out over the contract period by use of a sinking fund.

At the end of the contracts the assets and all rights under the agreements revert to the Council at no additional cost. The providers are required to undertake regular benchmarking exercises for certain operational costs and market test these where necessary. In the event of default by the provider the Council has the option to either, re-tender the contract and pay the contractor the highest compliant tender price, or to take over the contract and pay the contractor the estimated fair value of the agreement. In the event of voluntary termination the provider is entitled to a termination sum based on the debt outstanding. The Council is entitled to receive a 50% share of any refinancing gain.

The contracts for the schools and the NRC's both fall within the scope of service concession arrangements under IFRIC 12 as the use of the assets is controlled by the Council and the assets revert back to the Council on the expiration of the contracts.

The Council is committed to make the payments shown in the table on the next page to the providers for the duration of the contract. These payments will vary depending on actual inflation, performance and any agreed variations. The movements in the liabilities vary from year to year as the repayments are affected by the finance lease interest and the fluctuating lifecycle replacement costs.

|                               | Payment for<br>Services | Reimbursement<br>of Capital<br>Expenditure | Interest      | Principal<br>Repayment<br>and<br>contingent<br>Rent | Total         |
|-------------------------------|-------------------------|--|---------------|---|---------------|
|                               | £000                    | £000                                       | £000          | £000  | £000          |
| <b>Schools</b>                |                         |  |               |   |               |
| Payable in 2011-12            | 728                     | 145  | 1,167         | 265   | 2,305         |
| Payable within 2 to 5 years   | 3,101                   | 679  | 4,441         | 1,271   | 9,492         |
| Payable within 6 to 10 years  | 4,332                   | 1,217                                      | 4,928         | 2,046   | 12,523        |
| Payable within 11 to 15 years | 4,902                   | 2,146                                      | 3,933         | 2,367   | 13,348        |
| Payable within 16 to 20 years | 5,545                   | 1,737                                      | 2,636         | 4,361   | 14,279        |
| Payable within 21 to 25 years | 3,149                   | 310  | 555           | 3,774   | 7,788         |
| <b>Total</b>                  | <b>21,757</b>           | <b>6,234</b>                               | <b>17,660</b> | <b>14,084</b>                                       | <b>59,735</b> |

|                               | Payment for<br>Services | Reimbursement<br>of Capital<br>Expenditure | Interest     | Principal<br>Repayment<br>and<br>contingent<br>Rent | Total         |
|-------------------------------|-------------------------|--|--------------|---|---------------|
|                               | £000                    | £000                                       | £000         | £000  | £000          |
| <b>NRC</b>                    |                         |  |              |   |               |
| Payable in 2011-12            | 206                     | 1  | 514          | 139   | 860           |
| Payable within 2 to 5 years   | 782                     | 74   | 1,966        | 841   | 3,663         |
| Payable within 6 to 10 years  | 967                     | 290  | 2,178        | 1,682   | 5,117         |
| Payable within 11 to 15 years | 1,094                   | 265  | 1,740        | 2,690   | 5,789         |
| Payable within 16 to 20 years | 1,238                   | 668  | 1,132        | 3,513   | 6,551         |
| Payable within 21 to 25 years | 1,103                   | 268  | 270          | 3,046   | 4,687         |
| <b>Total</b>                  | <b>5,390</b>            | <b>1,566</b>                               | <b>7,800</b> | <b>11,911</b>                                       | <b>26,667</b> |

### 5.13 Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

| 2009-10<br>£000 |  | 2010-11<br>£000 |
|-----------------|--|-----------------|
| -809            | Rental income from investment property                     | -792            |
| 23              | Direct operating expenses arising from investment property | 8               |
| <b>-786</b>     | <b>Net gain/(loss)</b>                                     | <b>-784</b>     |

The following table summarises the movement in the fair value of investment properties over the year.

| 2009-10       |  | 2010-11       |
|---------------|--|---------------|
| £000          |  | £000          |
| 20,461        | Balance at start of the year                 | 24,822        |
| -104          | Disposals                                    | -1,678        |
| -2,582        | Net gains/losses from fair value adjustments | 244           |
| 7,047         | Transfer from Property, Plant and Equipment  | 293           |
| <u>24,822</u> | Balance at end of the year                   | <u>23,681</u> |

#### 5.14 Long term debtors

| 31-Mar-10    |                                     | 31-Mar-11    |
|--------------|-------------------------------------|--------------|
| £000         |                                     | £000         |
| 153          | Employees Car Loans                 | 150          |
| 126          | House Purchase Loans to Individuals | 97           |
| 3,297        | West London Waste Authority         | 3,181        |
| 136          | Other Loans                         | 176          |
| <u>3,712</u> | <b>Total</b>                        | <u>3,604</u> |

#### 5.15 Short term investments

| 31-Mar-10     |   | 31-Mar-11     |
|---------------|---|---------------|
| £000          |   | £000          |
| 64,738        | Temporary Investment - Managed in-house | 65,554        |
| 3             | Internal Investments                    | 3             |
| <u>64,741</u> | <b>Total</b>                            | <u>65,557</u> |

#### 5.16 Inventories

| 2009-10   |                                      | 2010-11    |
|-----------|--------------------------------------|------------|
| £000      |                                      | £000       |
| 91        | Balance outstanding at start of year | 26         |
| 38        | Purchases                            | 234        |
| -103      | Recognised as an expense in the year | -119       |
| <u>26</u> | Balance outstanding at year-end      | <u>141</u> |

**5.17 Short term debtors**

| 31-Mar-10     |                                       | 31-Mar-11     |
|---------------|---------------------------------------|---------------|
| £000          |                                       | £000          |
| 11,545        | Central government bodies             | 6,792         |
| 3,366         | Other local authorities               | 2,087         |
| 454           | NHS bodies                            | 670           |
| 4,127         | Public corporations and trading funds | 2,974         |
| 8,713         | Other entities and individuals        | 8,756         |
| <b>28,205</b> | <b>Total</b>                          | <b>21,279</b> |

**5.18 Cash and cash equivalents**

| 31-Mar-10     |  | 31-Mar-11     |
|---------------|--|---------------|
| £000          |  | £000          |
| 97            | Cash held by the Authority                           | 128           |
| -7,400        | Bank current accounts                                | -3,982        |
| 30,578        | Short-term deposits with Bank and Building Societies | 29,351        |
| <b>23,275</b> | <b>Total Cash and Cash Equivalents</b>               | <b>25,497</b> |

**5.19 Short term borrowing**

| 31-Mar-10      |                              | 31-Mar-11      |
|----------------|------------------------------|----------------|
| £000           |                              | £000           |
| -15            | Public Works Loan Board      | 0              |
| 0              | Other Financial Institutions | -65            |
| -11,521        | West London Waste Authority  | -14,707        |
| -4,377         | Pension Fund                 | -18,750        |
| -268           | Other Loans                  | -136           |
| <b>-16,181</b> | <b>Total</b>                 | <b>-33,658</b> |

**5.20 Creditors**

| 31-Mar-10      |                                       | 31-Mar-11      |
|----------------|---------------------------------------|----------------|
| £000           |                                       | £000           |
| -11,820        | Central government bodies             | -11,674        |
| -1,752         | Other local authorities               | -2,957         |
| -666           | NHS bodies                            | -1,114         |
| -21,997        | Public corporations and trading funds | -15,839        |
| -2,701         | Provisions                            | -3,632         |
| -33,194        | Other entities and individuals        | -36,410        |
| <b>-72,130</b> | <b>Total</b>                          | <b>-71,626</b> |

## 5.21 Provisions

|                                       | Outstanding<br>Legal Cases<br>£000 | Insurance<br>£000 | Employment<br>£000 | Other<br>Provisions<br>£000 | Total<br>£000 |
|---------------------------------------|------------------------------------|-------------------|--------------------|-----------------------------|---------------|
| <b>Balance at 1 April 2010</b>        | -893                               | -5,161            | -699               | -422                        | <b>-7,175</b> |
| Additional provisions made in 2010-11 | -60                                | -1,000            | -946               | -36                         | <b>-2,042</b> |
| Amounts used in 2010-11               | 115                                | 971               | 295                | 66                          | <b>1,447</b>  |
| Unused amounts reversed in 2010-11    | 200                                | 0                 | 0                  | 9                           | <b>209</b>    |
| <b>Balance at 31 March 2011</b>       | <b>-638</b>                        | <b>-5,190</b>     | <b>-1,350</b>      | <b>-383</b>                 | <b>-7,561</b> |

Details of the main provisions included in the above table are:

- Litigation provision is in respect of various planning cases and other cases;
- The Council operates an insurance programme that requires a significant degree of self-funding. Provisions have been made to cover the costs of the Council's potential liabilities. The Council's insurance programme consists of a range of insurance covers in three broad classes; liability, property and motor. The Council's maximum potential liability is limited by a series of aggregate stop loss covers with the Council's insurers that are triggered off when the total of all claims under the cover exceeds that amount for the period of insurance. It is Council policy not to insure "pound swapping" items (e.g. theft and "all risks" on equipment), or terrorism risks on properties other than the Civic Centre complex. The level of insurance provision covers the actual claims submitted and also the claims reported but not submitted;
- Employee related provision covers a potential liability to employees in respect of redundancies, tribunal cases and part time pension claims; and
- Other provisions relate to the disrepair provision for claims made by Council tenants in respect of repairs to Council property and the provision for claims in relation to charges made in the past for accommodation under the Mental Health Act (s117).



**5.22 Long term borrowing**

| 31-Mar-10<br>£000 |                                   | 31-Mar-11<br>£000 |
|-------------------|-----------------------------------|-------------------|
|                   | Source of Loan:                   |                   |
| -130,308          | Public Works Loan Board           | -130,000          |
| -111,800          | Other Financial Institutions      | -131,963          |
| <b>-242,108</b>   | <b>Total</b>                      | <b>-261,963</b>   |
|                   | Analysis of loans by maturity:    |                   |
| -40               | 1-2 years (1.4.2011 - 31.3.2012)  | -65               |
| -16,158           | 2-5 years (1.4.2012 - 31.3.2015)  | -16,098           |
| -32,015           | 5-10 years (1.4.2015 - 31.3.2020) | -32,000           |
| -193,895          | More than 10 years (1.4.2020+)    | -213,800          |
| <b>-242,108</b>   | <b>Total</b>                      | <b>-261,963</b>   |

**5.23 Other long term liabilities**

| 31-Mar-10<br>£000 |  | 31-Mar-11<br>£000 |
|-------------------|--|-------------------|
| -18,902           | PFI Lease Liability                              | -18,571           |
| -4,138            | Vehicles, Plant, Furniture & Equipment Liability | -5,743            |
| -346,436          | IAS19 Pension Liability                          | -212,506          |
| <b>-369,476</b>   | <b>Total</b>                                     | <b>-236,820</b>   |

**PR**

|                                      | Special<br>Schools<br>£000 | NRC<br>£000   | Total<br>£000  |
|--------------------------------------|----------------------------|---------------|----------------|
| Balance outstanding at start of year | -12,942                    | -6,200        | -19,142        |
| Lease repayments during the year     | 1,427                      | 517           | 1,944          |
| Finance Charge                       | -1,189                     | -515          | -1,704         |
| Balance outstanding at year-end      | <b>-12,704</b>             | <b>-6,198</b> | <b>-18,902</b> |
| Analysed as follows:                 |                            |               |                |
| Due within one year                  | -228                       | -102          | -330           |
| Due after more than one year         | -12,476                    | -6,096        | -18,572        |
|                                      | <b>-12,704</b>             | <b>-6,198</b> | <b>-18,902</b> |
| 2009-10                              |                            |               |                |
| Analysed as follows:                 |                            |               |                |
| Due within one year                  | -238                       | -2            | -240           |
| Due after more than one year         | -12,704                    | -6,198        | -18,902        |
|                                      | <b>-12,942</b>             | <b>-6,200</b> | <b>-19,142</b> |

**Vehicle, Plant, Furniture & Equipment Liability**

| 31-Mar-10     |   | 31-Mar-11     |
|---------------|---|---------------|
| £000          |   | £000          |
| -3,396        | Later than one year and not later than five years | -5,068        |
| -742          | Later than five years                             | -675          |
| <b>-4,138</b> |   | <b>-5,743</b> |

**5.24 Usable reserves**

| 31-Mar-10      |  | Note   | 31-Mar-11      |
|----------------|--|--------|----------------|
| £000           |  |        | £000           |
| -6,294         | General Fund                               | 4.1    | -7,000         |
| -15,011        | Earmarked Reserves General Fund            | 5.6    | -10,334        |
| -13,108        | Earmarked Reserves Locally Managed Schools | 5.6    | -14,799        |
| -4,784         | Housing Revenue Account                    | 6.1    | -3,780         |
| -6,167         | Capital Receipts Reserve                   | 5.24.1 | -6,248         |
| -2,500         | Capital Grants Unapplied                   | 5.24.2 | -846           |
| <b>-47,864</b> | <b>Total Unusable Reserves</b>             |        | <b>-43,007</b> |

**5.24.1 Capital Receipts Reserve**

| General Fund  | HRA           | Total         |  | General Fund  | HRA           | Total         |
|---------------|---------------|---------------|--|---------------|---------------|---------------|
| 2009-10       | 2009-10       | 2009-10       |  | 2010-11       | 2010-11       | 2010-11       |
| £000          | £000          | £000          |  | £000          | £000          | £000          |
| -1,540        | -4,366        | -5,906        | Balance unapplied at 1 April           | -1,469        | -4,698        | -6,167        |
| 0             | -84           | -84           | Interest on Affordable Housing         | 0             | -46           | -46           |
| -830          | -248          | -1,078        | Receipts in year - Others              | -5,047        | -336          | -5,383        |
| 0             | -1,797        | -1,797        | Receipts in year - Right to Buy        | 0             | -920          | -920          |
| 37            | 0             | 37            | Disposal Costs                         | 106           | 11            | 117           |
| 0             | 1,346         | 1,346         | Pooling payment to the DCLG            | 0             | 690           | 690           |
| 864           | 0             | 864           | Applied during the year - others       | 4,945         | 286           | 5,231         |
| 0             | 451           | 451           | Applied during the year - Right to Buy | 0             | 230           | 230           |
| <b>-1,469</b> | <b>-4,698</b> | <b>-6,167</b> | <b>Balance unapplied at 31 March</b>   | <b>-1,465</b> | <b>-4,783</b> | <b>-6,248</b> |

## 5.24.2 Capital Grants Unapplied

| General Fund<br>2009-10<br>£000 |                                      | General Fund<br>2010-11<br>£000 |
|---------------------------------|--------------------------------------|---------------------------------|
| -1,543                          | Balance unapplied at 1 April         | -2,500                          |
| -1,153                          | Receipts in year                     | -615                            |
| 196                             | Applied during the year              | 2,269                           |
| <b>-2,500</b>                   | <b>Balance unapplied at 31 March</b> | <b>-846</b>                     |

## 5.25 Unusable reserves

| 31-Mar-10<br>£000 |  | 31-Mar-11<br>£000 |
|-------------------|--|-------------------|
| -15,740           | Revaluation Reserve                                  | -13,417           |
| -126              | Deferred Capital Receipts                            | -97               |
| -762,430          | Capital Adjustment Account                           | -591,328          |
| 4,416             | Financial Instruments Adjustment Account             | 4,445             |
| 346,437           | Pensions Reserve                                     | 212,506           |
| -1,405            | Collection Fund Adjustment Account                   | -2,200            |
| 7,970             | Accumulating Compensated Absences Adjustment Account | 8,175             |
| <b>-420,878</b>   | <b>Total Unusable Reserves</b>                       | <b>-381,916</b>   |

## 5.25.1 Revaluation reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

## Notes to the Financial Statements

| 2009-10      |         |         |   | 2010-11      |      |         |
|--------------|---------|---------|---|--------------|------|---------|
| General Fund | HRA     | Total   |   | General Fund | HRA  | Total   |
| £000         | £000    | £000    |   | £000         | £000 | £000    |
|              |         |         |   |              |      |         |
| -27,732      | -279    | -28,011 | <b>Balance at 1 April</b>   | -15,292      | -448 | -15,740 |
| -9,817       | -37,381 | -47,198 | Upward revaluation of assets  | -3,253       | -365 | -3,618  |
| 24,619       | 197     | 24,816  | Impairment not charged to the Provision of Services   | 2,394        |      | 2,394   |
| 93           | 36,858  | 36,951  | Impairment reversals recognised in the Provision of Services  | 2,805        | 286  | 3,091   |
|              |         |         | Upward/Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services - |              |      |         |
| -176         | 0       | -176    | Investment Properties   | 0            | 0    | 0       |
| -3,063       | 0       | -3,063  | Recognition of assets not previously on Balance Sheet   | 0            | 0    | 0       |
|              |         |         | Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services     |              |      |         |
| -16,076      | -605    | -16,681 | Difference between fair value depreciation and historical cost depreciation   | -13,346      | -527 | -13,873 |
| 380          | 30      | 410     | Accumulated gains on assets sold or scrapped  | 132          | 2    | 134     |
| 404          | 127     | 531     | Amount written off to the Capital Adjustment Account  | 275          | 47   | 322     |
| 784          | 157     | 941     |   | 407          | 49   | 456     |
| -15,292      | -448    | -15,740 | <b>Balance at 31 March</b>  | -12,939      | -478 | -13,417 |

### 5.25.2 Capital adjustment account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

| 2009-10  |          |          | 2010-11      |          |
|--|----------|----------|--------------|----------|
| £000   | £000     | £000     | £000         | £000     |
| General Fund   | HRA      | Total    | General Fund | HRA      |
| -538,573   | -325,030 | -863,603 | -402,653     | -361,881 |
| <b>Balance at 1 April</b>  |          |          |              |          |
| Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: |          |          |              |          |
| 27,022   | 3,823    | 30,845   | 28,434       | 3,958    |
| 9  | 2        | 11       | 1,800        | 29       |
| 160,956  | -36,858  | 124,098  | 93,512       | 125,972  |
| Asset Depreciation   |          |          |              |          |
| Leasing Depreciation   |          |          |              |          |
| Asset Impairment   |          |          |              |          |
| 105  | 965      | 1,070    | 3,655        | 5,015    |
| Non Current assets written out on Disposal   |          |          |              |          |
| Revenue expenditure funded from capital under statute  |          |          |              |          |
| 1,178  | 0        | 1,178    | 5,834        | 0        |
| Revaluation reserve on disposal to the CI&E Statement  |          |          |              |          |
| -404   | -127     | -531     | -275         | -47      |
| 188,866  | -32,195  | 156,671  | 132,960      | 134,927  |
| Depreciation written out of the Revaluation reserve  |          |          |              |          |
| -30  | -380     | -410     | -132         | -2       |
| 188,836  | -32,575  | 156,261  | 132,828      | 134,925  |
| Net written out amount of the cost of non current assets consumed in the year  |          |          |              |          |
| Capital financing applied in the year:   |          |          |              |          |
| Use of the Capital Receipts Reserve  |          |          |              |          |
| -864   | -451     | -1,315   | -4,945       | -516     |
| Use of the Major Repairs Reserve   |          |          |              |          |
|  | -3,778   | -3,778   | 0            | -3,932   |
| Capital grants contributions credited to the CI&E Statement  |          |          |              |          |
| -41,608  | 0        | -41,608  | -71,785      | -289     |
| Application of grants from the Capital Grants Unapplied Account  |          |          |              |          |
| -196   | 0        | -196     | -2,269       | 0        |
| -9,002   | 0        | -9,002   | -12,065      | -23      |
| -122   | 0        | -122     | -290         | 0        |
| 137,044  | -36,804  | 100,240  | 41,474       | 130,165  |
| Revenue Contribution to Capital Outlay   |          |          |              |          |
| Movements in the market value of Investment Properties debited/credited to the CI&E Statement                                |          |          |              |          |
| -1,124   | 2,057    | 933      | -490         | -47      |
| -402,653   | -359,777 | -762,430 | -361,669     | -231,763 |
| <b>Balance at 31 March</b>   |          |          |              |          |

### 5.25.3 Financial instruments adjustment account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

2009-10

£000

4,397

**Balance at 1 April**

Premiums and Discounts incurred in previous financial years  
to be charged against the Balance in accordance with statutory  
requirements

249

General Fund

-230

HRA

**4,416****Balance at 31 March**

2010-11

£000

4,416

249

-220

**4,445**

#### 5.25.4 Pensions reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2009-10

£000

189,574

**Balance at 1 April**

152,081

Actuarial (gains) or losses on pensions assets and liabilities

24,336

Reversal of items relating to retirement benefits debited or  
credited to the Surplus or Deficit on the Provision of Services in  
the Comprehensive Income and Expenditure Statement

-19,554

Employer's pensions contributions and direct payments to  
pensioners payable in the year

**346,437****Balance at 31 March**

2010-11

£000

346,437

-69,510

-44,708

-19,713

**212,506**

### 5.25.5 Collection fund adjustment account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

| 2009-10       |  | 2010-11       |
|---------------|--|---------------|
| £000          |  | £000          |
| -280          | <b>Balance at 1 April</b>  | -1,405        |
| -1,125        | Amount by which council tax income credited to the CI&E Statement is different from council tax income calculated for the year | -795          |
| <b>-1,405</b> | <b>Balance at 31 March</b>   | <b>-2,200</b> |

### 5.25.6 Accumulating compensated absences adjustment account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

| 2009-10      |   | 2010-11      |
|--------------|---|--------------|
| £000         |   | £000         |
| 6,734        | <b>Balance at 1 April</b>   | 7,970        |
| -6,734       | Settlement or cancellation of accrual made at the end of the preceding year | -7,970       |
| 7,970        | Amounts accrued at the end of the current year                              | 8,175        |
| <b>7,970</b> | <b>Balance at 31 March</b>  | <b>8,175</b> |

## 5.26 Cash flow statement – operating activities

| 2009-10 |                   | 2010-11 |
|---------|-------------------|---------|
| £000    |                   | £000    |
| -2,030  | Interest received | -1,430  |
| 10,517  | Interest paid     | 13,588  |

**5.27 Cash flow statement – investing activities**

| 2009-10       |  | 2010-11       |
|---------------|--|---------------|
| £000          |  | £000          |
| 88,239        | Purchase of property, plant and equipment, investment property and intangible assets               | 49,514        |
| 10,860        | Purchase of short-term and long-term investments   | 18,816        |
| 6,299         | Other payments for investing activities  | 0             |
| -2,922        | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | -6,238        |
| -185          | Proceeds from short-term and long-term investments   | -109          |
| -64,101       | Other receipts from investing activities   | -15,956       |
| <u>38,190</u> | <b>Net cash flows from investing activities</b>  | <u>46,027</u> |

**5.28 Cash flow statement – financing activities**

| 2009-10        |  | 2010-11        |
|----------------|--|----------------|
| £000           |  | £000           |
| -30,000        | Cash receipts of short- and long-term borrowing  | -37,640        |
| -1,077         | Other receipts from financing activities   | -3,090         |
| 299            | Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts | 1,377          |
| -14,478        | Repayments of short- and long-term borrowing   | 308            |
| <u>-45,256</u> | <b>Net cash flows from financing activities</b>  | <u>-39,045</u> |



### 5.29 Directorate income and expenditure segmental reporting

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement);
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year; and
- expenditure on some support services is budgeted for centrally and not charged to directorates.

The income and expenditure of the Authority's principal directorates recorded in the budget reports for the year is as follows:

## 5.29.1 Directorate income and expenditure 2010-11 and comparative

| 2010-11                                | Adults and<br>Housing<br>Services          | Childrens<br>Services         | Community<br>and<br>Environment<br>Services           | Corporate<br>Services         | Place Shaping        | Total           |
|--|--|-------------------------------|---|-------------------------------|----------------------|-----------------|
|  | £000                                       | £000                          | £000  | £000                          | £000                 | £000            |
| Fees, charges & other service income   | -16,090                                    | -13,006                       | -29,694   | -62,589                       | -3,474               | -124,853        |
| Government grants                      | -3,577                                     | -189,093                      | -1,403  | -126,071                      | -656                 | -320,800        |
| <b>Total Income</b>                    | <b>-19,667</b>                             | <b>-202,099</b>               | <b>-31,097</b>  | <b>-188,660</b>               | <b>-4,130</b>        | <b>-445,653</b> |
| Employee expenses                      | 20785                                      | 159530                        | 28673   | 25752                         | 4836                 | 239,576         |
| Other service expenses                 | 62523                                      | 173325                        | 40556   | 178698                        | 748                  | 455,850         |
| Support service recharges              | 7892                                       | 6091                          | 11822   | 14642                         | 3078                 | 43,525          |
| <b>Total Expenditure</b>               | <b>91,200</b>                              | <b>338,946</b>                | <b>81,051</b>   | <b>219,092</b>                | <b>8,662</b>         | <b>738,951</b>  |
| <b>Net Expenditure</b>                 | <b>71,533</b>                              | <b>136,847</b>                | <b>49,954</b>   | <b>30,432</b>                 | <b>4,532</b>         | <b>293,298</b>  |
| <b>2009-10<br/>Comparative Figures</b> | <b>Adults and<br/>Housing<br/>Services</b> | <b>Childrens<br/>Services</b> | <b>Community<br/>and<br/>Environment<br/>Services</b> | <b>Corporate<br/>Services</b> | <b>Place Shaping</b> | <b>Total</b>    |
|  | £000                                       | £000                          | £000  | £000                          | £000                 | £000            |
| Fees, charges & other service income   | -21,994                                    | -11,628                       | -33,454   | -62,694                       | -4,456               | -134,226        |
| Government grants                      | -8,323                                     | -176,925                      | -1,395  | -114,273                      | -167                 | -301,083        |
| <b>Total Income</b>                    | <b>-30,317</b>                             | <b>-188,553</b>               | <b>-34,849</b>  | <b>-176,967</b>               | <b>-4,623</b>        | <b>-435,309</b> |
| Employee expenses                      | 19,677                                     | 149,520                       | 28,961  | 26,754                        | 4,505                | 229,417         |
| Other service expenses                 | 80,454                                     | 197,550                       | 56,067  | 163,973                       | 1,146                | 499,190         |
| Support service recharges              | 6,450                                      | 5,704                         | 13,610  | 13,214                        | 2,957                | 41,935          |
| <b>Total Expenditure</b>               | <b>106,581</b>                             | <b>352,774</b>                | <b>98,638</b>   | <b>203,941</b>                | <b>8,608</b>         | <b>770,542</b>  |
| <b>Net Expenditure</b>                 | <b>76,264</b>                              | <b>164,221</b>                | <b>63,789</b>   | <b>26,974</b>                 | <b>3,985</b>         | <b>335,233</b>  |

### 5.29.2 Reconciliation to cost of services in CIES

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

| 2009-10<br>£000 |  | 2010-11<br>£000 |
|-----------------|--|-----------------|
| 335,233         | Net expenditure in the [Directorate] Analysis  | 293,298         |
| -37,564         | Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis | 51,535          |
| -9,709          | Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement      | -7,469          |
| <b>287,960</b>  | <b>Statement</b>   | <b>337,364</b>  |

### 5.29.3 Reconciliation to subjective analysis 2010-11 and comparative

The following reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

## 2010-11

|  | Directorate<br>Analysis | Amounts not reported<br>to management for<br>decision making | Amounts<br>not included<br>in CIES | Allocation of<br>Recharges | Cost of<br>services | Corporate<br>Amounts | Total           |
|--|-------------------------|--|------------------------------------|----------------------------|---------------------|----------------------|-----------------|
|  | £000                    | £000   | £000                               | £000                       | £000                | £000                 | £000            |
| Fees, charges & other service income                   | -124,853                | -25,982  | 0                                  | 45,353                     | -105,482            | 0                    | -105,482        |
| Interest and investment income                         | 0                       | 0  | 980                                |                            | 980                 | -2,442               | -1,462          |
| Income from council tax                                | 0                       | 0  | 0                                  |                            | 0                   | -104,716             | -104,716        |
| Government grants and contributions                    | -320,800                | -1,529   | 0                                  |                            | -322,329            | -152,413             | -474,742        |
| <b>Total Income</b>                                    | <b>-445,653</b>         | <b>-27,511</b>   | <b>980</b>                         | <b>45,353</b>              | <b>-426,831</b>     | <b>-259,571</b>      | <b>-686,402</b> |
| Employee expenses                                      | 239,576                 | -70,383  | 0                                  | -15,803                    | 153,390             | 8,306                | 161,696         |
| Other service expenses                                 | 455,850                 | 16,473   | 0                                  | -19,624                    | 452,699             | 0                    | 452,699         |
| Support Service recharges                              | 43,525                  | 3,073  | 0                                  | -9,926                     | 36,672              | 0                    | 36,672          |
| Depreciation, amortisation and impairment              | 0                       | 129,883  | 0                                  |                            | 129,883             | 0                    | 129,883         |
| Interest Payments                                      | 0                       | 0  | 0                                  |                            | 0                   | 13,636               | 13,636          |
| Precepts & Levies                                      | 0                       | 0  | -8,496                             |                            | -8,496              | 8,496                | 0               |
| Payments to Housing Capital Receipts Pool              | 0                       | 0  | 0                                  |                            | 0                   | 690                  | 690             |
| Gain or Loss on Disposal of Fixed Assets               | 0                       |  | 47                                 |                            | 47                  | 2,407                | 2,454           |
| <b>Total expenditure</b>                               | <b>738,951</b>          | <b>79,046</b>  | <b>-8,449</b>                      | <b>-45,353</b>             | <b>764,195</b>      | <b>33,535</b>        | <b>797,730</b>  |
| <b>Surplus or deficit on the provision of services</b> | <b>293,298</b>          | <b>51,535</b>  | <b>-7,469</b>                      | <b>0</b>                   | <b>337,364</b>      | <b>-226,036</b>      | <b>111,328</b>  |

## 2009-10

|  |                 |                |               |                |                 |                 |                 |
|--|-----------------|----------------|---------------|----------------|-----------------|-----------------|-----------------|
| Fees, charges & other service income                   | -134,226        | -24,920        | 0             | 48,523         | -110,623        | 0               | -110,623        |
| Interest and investment income                         | 0               | 0              | -1,797        |                | -1,797          | 237             | -1,560          |
| Income from council tax                                | 0               | 0              | 0             |                | 0               | -103,177        | -103,177        |
| Government grants and contributions                    | -301,083        | -46            | -855          |                | -301,984        | -118,789        | -420,773        |
| <b>Total Income</b>                                    | <b>-435,309</b> | <b>-24,966</b> | <b>-2,652</b> | <b>48,523</b>  | <b>-414,404</b> | <b>-221,729</b> | <b>-636,133</b> |
| Employee expenses                                      | 229,417         | -2,765         | 0             | -16,188        | 210,464         | 0               | 210,464         |
| Other service expenses                                 | 499,190         | 14,569         | 0             | -23,613        | 490,146         | 0               | 490,146         |
| Support Service recharges                              | 41,935          | 197            | 0             | -8,722         | 33,410          | 0               | 33,410          |
| Depreciation, amortisation and impairment              | 0               | -24,599        | 0             |                | -24,599         | 0               | -24,599         |
| Interest Payments                                      | 0               | 0              | 0             |                | 0               | 25,862          | 25,862          |
| Precepts & Levies                                      | 0               | 0              | -7,816        |                | -7,816          | 7,816           | 0               |
| Payments to Housing Capital Receipts Pool              | 0               | 0              | 0             |                | 0               | 1,346           | 1,346           |
| Gain or Loss on Disposal of Fixed Assets               | 0               | 0              | 759           |                | 759             | -1,853          | -1,094          |
| <b>Total expenditure</b>                               | <b>770,542</b>  | <b>-12,598</b> | <b>-7,057</b> | <b>-48,523</b> | <b>702,364</b>  | <b>33,171</b>   | <b>735,535</b>  |
| <b>Surplus or deficit on the provision of services</b> | <b>335,233</b>  | <b>-37,564</b> | <b>-9,709</b> | <b>0</b>       | <b>287,960</b>  | <b>-188,558</b> | <b>99,402</b>   |

### 5.30 Road charging schemes under the Transport Act 2000

The London Borough of Harrow assumed responsibility for the enforcement of the on-street parking under the Road Traffic Act on 4 July 1994. Decriminalisation of the off-street car parking came into force in the Borough on 3 July 1995.

The Road Traffic Act 1984 stipulates that the authority must keep a separate account of any income or expenditure related to those parking activities and this includes income from Penalty Charge Notices (PCN's) (and other additional parking charges) and expenditure on enforcement as applied through the 1991 Act.

The Parking Account may be run at a surplus or at a deficit in any one year. Any deficit, though, must be made good from the general fund at the end of the financial year. Section 55(4) of the 1984 Act controls the use of any surplus on the account. The 1991 Act requires a statement to be provided to the Secretary of State annually to show how any deficit or surplus has been financed or used. The surplus generated in 2010-11 is being re-invested in the development of on-street parking provision, road and highway improvements and public transport in the borough.

| 2009-10<br>£000 |  | 2010-11<br>£000 |
|-----------------|--|-----------------|
| -5,073          | Penalty Charge Notices                                   | -5,613          |
| -1,102          | On street meters   | -1,094          |
| -311            | Residents Permits  | -287            |
| <b>-6,486</b>   | <b>Total income</b>                                      | <b>-6,994</b>   |
| 1,556           | Enforcement contract/costs                               | 1,454           |
| 22              | TCfL: Core levy and service charges                      | 33              |
| 10              | Car park repairs   | 20              |
| 181             | Notice posting and administration                        | 107             |
| 901             | Other overheads  | 1,009           |
| <b>2,670</b>    | <b>Total expenditure</b>                                 | <b>2,623</b>    |
| <b>-3,816</b>   | <b>Total (surplus) for the year ending 31 March 2011</b> | <b>-4,371</b>   |
|                 | <u>Utilisation of Surplus</u>                            |                 |
| 1,087           | Design and implementation of traffic management schemes  |                 |
| 2,729           | Concessionary fares                                      | 4,371           |
| <b>3,816</b>    |  | <b>4,371</b>    |

### 5.31 Agency arrangements – pooled budgets

Section 31 of the Health Act 1999 allows partnership arrangements between NHS bodies, local authorities, and other agencies in order to improve and co-ordinate services. Each partner makes a contribution to a pooled budget with the aim of focusing services and activities for a client group. Funds contributed are those normally used for the service represented in the pooled budget and allow the organisations involved to act in a more cohesive way.

The Council, in association with Harrow Primary Care Trust, has established a pooled fund for the Integrated Community Equipment Service (ICES) for which Harrow Council is the lead body.

| 2009-10<br>£000 |   | 2010-11<br>£000 |
|-----------------|---|-----------------|
|                 | Funding provided to the pooled budget:  |                 |
| -277            | • Harrow Contribution                   | -325            |
| -19             | • Schools Contribution                  | -17             |
| 0               | • Misc Income                           | -11             |
| -671            | • Harrow PCT                            | -644            |
| <u>-967</u>     |   | <u>-997</u>     |
|                 | Expenditure met from the pooled budget: |                 |
| 1,095           | • Gross Expenditure                     | 1,058           |
| <u>128</u>      | Deficit for the year                    | <u>61</u>       |

### 5.32 Agency Services

| 2009-10<br>£000 |  | 2010-11<br>£000 |
|-----------------|--|-----------------|
| 228             | Expenditure Incurred on Provision of Agency Services | 197             |
| -228            | Management Fee payable for these services            | -197            |
| <u>0</u>        | Net Surplus arising on agency arrangements           | <u>0</u>        |

The Council provides agency services for the following bodies:

- West London Waste Authority – Accounting and Payroll Services
- Northwick Park Hospital Disability Team – Administrative and Social Work Services
- North West Hospital Trust – Social Work Services
- Central and North West London NHS Foundation Trust – Social Work Services
- Royal National Orthopaedic Hospital – Social Work Services
- Harrow PCT – Social Work Services

### 5.33 Members allowances

The total amount of Members' allowances paid in 2010-11 was £0.810m (£0.813m in 2009-10). Additional information on the Members' Allowance Scheme 2010-11 may be found in a leaflet available at Council libraries.

### 5.34 Remuneration

The remuneration paid to the Council's senior employees is as follows:

#### 5.34.1 Remuneration bands

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions):

| 2009-10<br>Number of<br>employees | Remuneration band   | 2010-11<br>Number of<br>employees |
|-----------------------------------|---------------------|-----------------------------------|
| 112                               | £50,000 - £54,999   | 126                               |
| 88                                | £55,000 - £59,999   | 103                               |
| 48                                | £60,000 - £64,999   | 53                                |
| 25                                | £65,000 - £69,999   | 32                                |
| 33                                | £70,000 - £74,999   | 21                                |
| 8                                 | £75,000 - £79,999   | 15                                |
| 8                                 | £80,000 - £84,999   | 9                                 |
| 4                                 | £85,000 - £89,999   | 7                                 |
| 7                                 | £90,000 - £94,999   | 7                                 |
| 6                                 | £95,000 - £99,999   | 6                                 |
| 1                                 | £100,000 - £104,999 | 2                                 |
| 4                                 | £105,000 - £109,999 | 1                                 |
| 2                                 | £110,000 - £114,999 | 3                                 |
| 1                                 | £115,000 - £119,999 | 3                                 |
| 1                                 | £120,000 - £124,999 | 0                                 |
| 1                                 | £125,000 - £129,999 | 0                                 |
| 3                                 | £130,000 - £134,999 | 2                                 |
| 0                                 | £135,000 - £139,999 | 2                                 |
| 2                                 | £140,000 - £144,999 | 3                                 |
| 1                                 | £185,000 - £189,999 | 0                                 |
| 0                                 | £195,000 - £199,999 | 2                                 |
| <b>355</b>                        |                     | <b>397</b>                        |

## 5.34.2 Senior officer remuneration

Remuneration Disclosures for Senior Officers whose salary is £150,000 or more per year

| Position Held                          | Salary,(including Fees and Allowances) |         | Benefits in Kind |         | Total Remuneration excluding pension contributions |         | Employers Pension Contribution |         | Total Remuneration including pension contributions |         |
|--|--|---------|------------------|---------|--|---------|--------------------------------|---------|--|---------|
|  | £                                      | £       | £                | £       | £  | £       | £                              | £       | £  | £       |
|  | 2010-11                                | 2009-10 | 2010-11          | 2009-10 | 2010-11  | 2009-10 | 2010-11                        | 2009-10 | 2010-11  | 2009-10 |
| Michael Lockwood<br>(Chief Executive ) | 194,617                                | 185,297 | 1,348            | 1,204   | 195,965  | 186,501 | 34,857                         | 33,003  | 230,822  | 219,504 |

The following table sets out the remuneration disclosures for Senior Officers whose salary is less than £150,000 but equal to more than £50,000

| Position Held                                  | Notes | Salary,(including Fees |         | Benefits in Kind |         | Total Remuneration |         | Employers Pension |         | Total Remuneration |           |
|--|-------|------------------------|---------|------------------|---------|--------------------|---------|-------------------|---------|--------------------|-----------|
|  |       | £                      | £       | £                | £       | £                  | £       | £                 | £       | £                  | £         |
|  |       | 2010-11                | 2009-10 | 2010-11          | 2009-10 | 2010-11            | 2009-10 | 2010-11           | 2009-10 | 2010-11            | 2009-10   |
| Corporate Director - Place Shaping             |       | 142,338                | 141,795 |                  | 0       | 142,338            | 141,795 | 26,374            | 26,019  | 168,712            | 167,814   |
| Corporate Director - Community and Environment |       | 138,906                | 122,138 | 1,278            | 1,528   | 140,184            | 123,666 | 25,606            | 22,218  | 165,790            | 145,884   |
| Director of Legal & Governance Services        |       | 137,704                | 127,157 | 1,239            | 1,186   | 138,943            | 128,343 | 25,537            | 23,413  | 164,480            | 151,756   |
| Corporate Director - Adults and Housing        |       | 135,480                | 133,653 |                  | 84      | 135,480            | 133,737 | 25,606            | 24,525  | 161,086            | 158,262   |
| Corporate Director - Childrens Services        |       | 132,072                | 140,307 |                  | 0       | 132,072            | 140,307 | 24,565            | 25,262  | 156,637            | 165,569   |
| Corporate Director - Finance                   | 1     | 131,006                | 133,653 |                  | 0       | 131,006            | 133,653 | 24,367            | 24,525  | 155,373            | 158,178   |
| Assistant Chief Executive                      |       | 109,443                | 106,137 | 1,239            | 1,178   | 110,682            | 107,315 | 20,668            | 19,797  | 131,350            | 127,112   |
|  |       | 926,949                | 904,840 | 3,756            | 3,976   | 930,704            | 908,816 | 172,724           | 165,759 | 1,103,428          | 1,074,575 |

Note 1

The Corporate Director Finance left the Council on 13 March 2011

Note 2

A senior officer is a person who had power to direct or control the major activities of the Council

Note 3

A more detailed disclosure is available on our website at [www.harrow.gov.uk](http://www.harrow.gov.uk)



### 5.35 Audit fees

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:

| 2009-10<br>£000 |   | 2010-11<br>£000 |
|-----------------|---|-----------------|
|                 | Fees Payable to external auditors in respect of:                          |                 |
| 343             | External audit services carried out by the appointed auditor for the year | 287             |
| 82              | Statutory inspections   | 80              |
| 100             | Certification of grant claims and returns for the year                    | 110             |
| 55              | Other services provided during the year                                   | 91              |
| <u>580</u>      | <b>Total</b>  | <u>568</u>      |

The fees for other services payable in both 2010-11 and 2009-10 related to the Audit of the Pension Fund and non-audit work.

### 5.36 Dedicated Schools Grant

The council's expenditure on schools is funded primarily by grant monies provided by Department for Education (DfE) and known as the Dedicated Schools Grant (DSG). DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2010-11 are as follows

|   | Central Expenditure<br>£000 | ISB<br>£000 | Total<br>£000 |
|---|-----------------------------|-------------|---------------|
| Final DSG for 2010-11   |                             |             | -145,271      |
| <b>Less</b>   |                             |             |               |
| Deficit brought forward from 2009-10                              |                             |             | 430           |
| Carry forward to 2011-12 agreed in advance                        |                             |             | 810           |
| Agreed budgeted distribution in 2010-11                           | -15,362                     | -128,669    | -144,031      |
| <b>Less</b>   |                             |             |               |
| Actual central expenditure  | 15,000                      |             | 15,000        |
| Actual ISB deployed to schools                                    |                             | 129,950     | 129,950       |
| Deficit carry forward to 2011-12 (excluding agreed carry forward) | -362                        | 1,281       | 919           |
| Deficit carry forward to 2011-12 including agreed carry forward   |                             |             | <u>109</u>    |

## 5.37 Grants income

### 5.37.1 Revenue grants included within the cost of services

The following revenue grants have been included within the cost of services in the comprehensive income and expenditure account. These are grants where conditions attached to the grant have been met within the year, or where there were no conditions attached to the use of the grant income by the awarding body.

| 2009-10<br>£000 | Grant  | Awarding Body                            | 2010-11<br>£000 |
|-----------------|--|--|-----------------|
| 0               |  |  | 0               |
| -965            | Schools Sports Coordinator Grant   | Big Lottery Fund                         | -680            |
| -228            | Chartered London Institute of Teaching                                   | Chartered London Institute of Teaching   | -17             |
| -139,079        | Dedicated Schools Grant  | Department for Education                 | -146,136        |
| -12,940         | Standards Fund   | Department for Education                 | -17,056         |
| -6,055          | School Standards Grant   | Department for Education                 | -6,228          |
| -4,056          | Surestart, Early Years and Childcare & Aiming High for Disabled Children | Department for Education                 | -5,929          |
| -777            | London Pay Addition Grant  | Department for Education                 | -939            |
| -603            | Children & Young Peoples Grant   | Department for Education                 | -494            |
| 0               | Targeted Mental Health in Schools  | Department for Education                 | -222            |
| -173            | Contact Point  | Department for Education                 | -186            |
| -1,543          | Private Finance Initiative   | Department of Communities and Local Gov. | -1,543          |
| -4,152          | Supporting People Grant  | Department of Communities and Local Gov. | -459            |
| 0               | LAA Reward Initiative 2010-11  | Department of Communities and Local Gov. | -445            |
| -313            | Homelessness Grant   | Department of Communities and Local Gov. | -379            |
| 0               | Housing Advice Service   | Department of Communities and Local Gov. | -300            |
| -278            | NNDR - Cost of collection allowance                                      | Department of Communities and Local Gov. | -293            |
| -33             | Planning Development Grant   | Department of Communities and Local Gov. | -282            |
| -1,272          | Local Public Services Agreements   | Department of Communities and Local Gov. | -114            |
| -853            | Local Area Agreement   | Department of Communities and Local Gov. | 0               |
| -305            | Local Authority Business Growth Incentive                                | Department of Communities and Local Gov. | 0               |
| -845            | Neighbourhood Resource Centre PFI  | Department of Health                     | -966            |
| -783            | Social Care Transformation Grant   | Department of Health                     | -962            |
| -236            | Sancroft Private Finance Initiative                                      | Department of Health                     | -236            |
| -126            | AIDS SUPPORT GRANT   | Department of Health                     | -141            |
| -381            | Bus Services Operators Grant   | Department of Transport                  | -26             |
| -111,110        | Housing & Council Tax benefit subsidy                                    | Department of Work and Pensions          | -122,777        |
| -2,472          | Housing benefit admin grant  | Department of Work and Pensions          | -2,337          |
| -782            | Unaccompanied Asylum Seekers Grant                                       | Home Office - UK Border Agency           | -578            |
| -130            | Xcite Projects   | Learning and Development Agency          | -272            |
| -126            | VTalent  | Millenium Volunteers                     | -155            |
| -970            | Safeguarded Adults Learning  | Skills Funding Agency                    | -888            |
| -8,157          | Young Peoples Learning Agency  | Young Peoples Learning Agency            | -8,022          |
| -610            | Youth Justice Board Grant  | Youth Justice Board                      | -621            |
| -730            | Other  |  | -1,117          |
| <b>-301,083</b> | <b>Total</b>   |  | <b>-320,800</b> |

## 5.37.2 Capital grants included within taxation and non specific grant income

The following capital grants have been included within the cost of services in the comprehensive income and expenditure account where conditions attached to the grant have been met within the year or where there were no conditions attached to the use of the grant income by the awarding body.

| 2009-10<br>£000 | Grant  | Awarding Body                                   | 2010-11<br>£000 |
|-----------------|--|---|-----------------|
| -990            | Adult and Community Learning Capital Project   | Skills Funding Agency                           | -882            |
| -130            | Adult Social Care Single Capital Pot   | Department of Health                            | -130            |
| -75             | Aiming High for Disability Capital Grant   | Department for Education                        | -284            |
|                 | Bridges Parapet Protection   | London Underground                              | -119            |
|                 | Cookery in Curriculum  | Department for Education                        | -3,047          |
| -2,674          | Devolved Formula Capital   | Department for Education                        | -3,167          |
|                 |  | Department for Communities and Local Government |                 |
|                 | Disabled Facilities Grant  |   | -514            |
|                 | Empty Property Grants  | The Mayor's Targeted Funding Stream             | -194            |
|                 | Extensions Grant   | The Mayor's Targeted Funding Stream             | -230            |
| -22,448         | FE Capital CMF 16-19   | Young People's Learning Agency                  | -2,337          |
|                 | Hatch End Arts Centre Pool Modernisation   | Department for Education                        | -575            |
|                 | HIV Capital Grant  | Department of Health                            | -1,014          |
| -533            | ICT Harnessing Technology  | Department for Education                        | -279            |
| -853            | Local Area Agreement Performance Reward Grant  | Department for Communities and Local Government | -191            |
| -9,221          | Local Implementation Plan  | Transport for London                            | -5,496          |
| -104            | Mental Health Social Care Capital Pot  | Department of Health                            | -104            |
| -5              | Modernisation LA   | Department for Education                        | -1,590          |
| -497            | Playbuilder Capital Grant  | Department for Education                        | -622            |
| -650            | Primary Capital  | Department for Education                        | -6,765          |
| -161            | School Travel Plan   | Department for Education                        |                 |
|                 | Social Care Reform Grant   | Department of Health                            | -122            |
| -472            | Sure Start Grant   | Department for Education                        | -2,856          |
| -2,868          | Targeted Capital Fund - 14-19  | Department for Education                        | -4,269          |
| -802            | Targeted Capital Fund - Kitchens   | Department for Education                        | -4,161          |
|                 | Targeted Capital Fund - OSP  | Department for Education                        | -33,116         |
| -277            | Misc.  | Misc.   | -625            |
| <b>-42,760</b>  | <b>Total Capital Grants included in Comprehensive Income and Expenditure Account</b> |   | <b>-72,689</b>  |

A number of capital grants have been received by the Council where conditions attached to the grant remain outstanding at 31 March 2011. These grants are included within long term liabilities in the balance sheet.

## 5.37.3 Capital grants receipts in advance

| 31-Mar-10      |  | 31-Mar-11     |
|----------------|--|---------------|
| £000           |  | £000          |
| -882           | Adult and Community Learning Capital Project | 0             |
| -2,284         | Cookery in Curriculum                        | -84           |
| -3,822         | Devolved Formula Grant                       | -2,378        |
| -40            | Empty Property Grants                        | -196          |
| -2,201         | FE Capital CMF 16-19                         | 0             |
| -575           | Hatch End Arts Centre Pool Modernisation     | 0             |
| -1,270         | Hatch End High School Pool                   | 0             |
| -1,762         | HIV Capital Grants                           | -1,448        |
| -902           | Local Implementation Plan                    | 0             |
| -1,300         | Modernisation LA                             | 0             |
| -348           | Other Grants                                 | -107          |
| -5,245         | Primary Capital                              | -253          |
| -1,428         | Sure Start Grant 2009-11                     | -132          |
| -4,578         | Targeted Capital - 14-19 Diploma/SEN         | 0             |
| -33,116        | Targeted Capital - OSP                       | 0             |
| -3,086         | Targeted Capital Kitchens                    | -925          |
| <b>-62,839</b> |  | <b>-5,523</b> |

## 5.38 Related parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

During the year no Council Members, chief officers nor their close relations, or members of the same household have declared any related party transactions other than those disclosed below.

## Members

The following Members held senior positions in voluntary sector bodies to which the Council has advanced grants in 2010-11:

- Cllr Asante-Twumasi is a Director of Age Concern, Harrow;
- Cllr Gate is a member of the Management Committee, Citizen's Advice Bureau; and
- Cllr Laniman is the Chair of Harrow Teenage Cancer Trust and also the Chair of Harrow in Europe.

## Officers

- Myfanwy Barrett, Former Corporate Director of Finance, held Treasurers positions with West London Waste Authority, Edward Harvist Trust, Pinner Memorial Park, Middlesex Guildhall Collection, Harrow's Mayor's Charity and Harrow Recreation Trust;
- Jennifer Hydari, Divisional Director of Finance, held Treasurers positions with West London Waste Authority, Edward Harvist Trust, Middlesex Guildhall Collection, Harrow's Mayor's Charity from 1 March 2011; and
- Hugh Peart, Director of Legal and Governance, is the Honorary Secretary of the Edward Harvist Trust.

The transactions between the Council and its related parties are detailed as follows.

### 5.38.1 West London Waste Authority

| 2009-10<br>£000 |   | 2010-11<br>£000 |
|-----------------|---|-----------------|
| 6,517           | Payments to WLWA  | 7,319           |
| -759            | Payments from WLWA  | -765            |
| 11,521          | Cash Balances Invested With the Council as at 31 March 2010 | 14,707          |
| 3,297           | Long Term Lending to WLWA                                   | 3,181           |

### 5.38.2 London Borough of Harrow Pension Fund

| 2009-10<br>£000 |   | 2010-11<br>£000 |
|-----------------|---|-----------------|
| 16,623          | Employers Pension Contributions to the Fund | 16,905          |
| -690            | Administration expenses paid by the Fund    | -639            |
| 4,378           | Cash Due to the Fund                        | 18,750          |

### 5.38.3 Other funds

| 2009-10<br>£000 |  | 2010-11<br>£000 |
|-----------------|--|-----------------|
| 22              | Cash due to Harrow Weald Common Conservators | 23              |
| 82              | Cash due to Edward Harvist Trust             | 57              |
| 82              | Cash due to Harrow Recreation Trust          | 83              |
| 57              | Cash due to Middlesex Guildhall Collection   | 56              |
| 24              | Cash due to Pinner Memorial Park             | 25              |

#### 5.38.4 Central Government and other Local Authorities

Grants from Central Government and payments to the levying bodies are disclosed in the notes to the accounts. Payments to precepting bodies are detailed in the Collection Fund ,Income and Expenditure Statement.

#### 5.39 Borrowing costs

During 2010-11 borrowing costs amounting to £0.167m were capitalised at 3.5% (actual borrowing cost).

#### 5.40 Termination benefits

The 'Better Deal for Residents Programme' has been designed by the Council to reduce costs for the foreseeable future. The Authority terminated the contracts of a number of staff in 2010-11 incurring a liability at 31 March 2011 of £0.984m for the payment of termination benefits in compensation for loss of office.

#### 5.41 Defined benefit pension schemes

##### 5.41.1 Participation in pension scheme

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme (LGPS). This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

There have been no changes in the scheme during the year

##### 5.41.2 Transactions relating to post-employment benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge it is required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

The cumulative amount of actuarial losses recognised in the Movement in Reserves Statement for the year 2010-11 is £169.399m.

| 2009-10<br>£000 |   | 2010-11<br>£000 |
|-----------------|---|-----------------|
|                 | <i>Cost of Services:</i>  |                 |
| 10,076          | • current service cost  | 18,179          |
| 532             | • past service costs  | -71,424         |
| 44              | • settlements and curtailments  | 232             |
|                 | <i>Financing and Investment Income and Expenditure</i>  |                 |
| 33,601          | • interest cost   | 39,467          |
| -19,917         | • expected return on scheme assets  | -31,162         |
| <u>24,336</u>   | <i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>                         | <u>-44,708</u>  |
|                 | <i>Other Post Employment Benefit Charged to the CIES</i>  |                 |
| -152,081        | • actuarial gains and (losses)  | 69,510          |
| <u>-127,745</u> | <i>Total Post Employment Benefit Charged to the CIES</i>  | <u>24,802</u>   |
|                 | <b>Movement in Reserves Statement</b>   |                 |
| 2009-10         |   | 2010-11         |
| -24,336         | Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits           | 44,708          |
| 19,554          | Actual amount charged against the General Fund Balance for pensions in the year: Employers' Contributions payable to scheme | 19,713          |

#### 5.41.3 Reconciliation of present value of the scheme liabilities

| 2009-10<br>£000 |                                      | 2010-11<br>£000 |
|-----------------|--------------------------------------|-----------------|
| 490,023         | Opening balance at 1 April           | 775,538         |
| 10,076          | Current service cost                 | 18,179          |
| 33,601          | Interest cost                        | 39,467          |
| 5,977           | Contributions by scheme participants | 6,034           |
| 258,136         | Actuarial (gains) and losses         | -93,743         |
| -22,851         | Benefits paid                        | -29,652         |
| 532             | Past service costs / (Gains)         | -71,424         |
| 44              | Losses on Curtailments               | 232             |
| <u>775,538</u>  | Closing balance at 31 March          | <u>644,631</u>  |

#### 5.41.4 Reconciliation of fair value of the scheme (plan) assets

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £32.466m (2009-10: £125.972m).

| 2009-10<br>£000 |                                      | 2010-11<br>£000 |
|-----------------|--------------------------------------|-----------------|
| 300,448         | Opening balance at 1 April           | 429,100         |
| 19,917          | Expected rate of return              | 31,162          |
| 106,056         | Actuarial gains and (losses)         | -24,233         |
| 19,553          | Employer contributions               | 19,713          |
| 5,977           | Contributions by scheme participants | 6,034           |
| -22,851         | Benefits paid                        | -29,652         |
| <u>429,100</u>  | Closing balance at 31 March          | <u>432,124</u>  |

#### 5.41.5 Scheme history

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £644.631m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £212.506m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary;

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2012 is £16.565m.

|                                 | 2010-11<br>£000 | 2009-10<br>£000 | 2008-09<br>£000 | 2007-08<br>£000 | 2006-07<br>£000 |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Present value of liabilities    | -644,631        | -775,538        | -490,024        | -496,877        | -530,900        |
| Fair value of assets            | 432,125         | 429,100         | 300,448         | 388,504         | 414,643         |
| Surplus/(deficit) in the scheme | -212,506        | -346,438        | -189,576        | -108,373        | -116,257        |

#### 5.41.6 Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Scheme liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31 March 2010.



The principal assumptions used by the actuary have been:

| 2009-10 |  | 2010-11 |
|---------|--|---------|
|         | Long-term expected rate of return on assets in the scheme:           |         |
| 7.8%    | Equity investments   | 7.5%    |
| 5.0%    | Bonds  | 4.9%    |
| 5.8%    | Property   | 5.5%    |
| 4.8%    | Other  | 4.6%    |
|         | Mortality assumptions:   |         |
|         | Longevity at 65 for current pensioners:                              |         |
| 20.8    | Men  | 21.6    |
| 24.1    | Women  | 23.6    |
|         | Longevity at 65 for future pensioners:                               |         |
| 22.3    | Men  | 23.6    |
| 25.7    | Women  | 25.9    |
| 3.8%    | Rate of inflation  | 2.8%    |
| 5.3%    | Rate of increase in salaries   | 4.6%    |
| 3.8%    | Rate of increase in pensions   | 2.8%    |
| 5.5%    | Rate for discounting scheme liabilities                              | 5.5%    |
|         | Take-up of option to convert annual pension into retirement lump sum |         |
| 50.0%   | - Pre April 2008 Service   | 50.0%   |
| 75.0%   | - Post April 2008 Service  | 75.0%   |

#### 5.41.7 Scheme Assets

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

| 31-Mar-10   |                    | 31-Mar-11   |
|-------------|--------------------|-------------|
| %           |                    | %           |
| 81%         | Equity investments | 76%         |
| 11%         | Bonds              | 11%         |
| 6%          | Property           | 8%          |
| 2%          | Other assets       | 5%          |
| <u>100%</u> |                    | <u>100%</u> |

#### 5.41.8 History of experience gains and losses

|  | 2010-11 | 2009-10  | 2008-09 | 2007-08 | 2006-07 |
|--|---------|----------|---------|---------|---------|
|  | %       | %        | %       | %       | %       |
| Differences between the expected and actual return on assets | -77,174 | -101,636 | 112,482 | 35,922  | -990    |
| Experience gains and (losses) on liabilities                 | 4.03    | -0.16    | -0.34   | -4.02   | 0.03    |

#### Teachers' Pension

The Teachers' Pension Agency (TPA) provides retirement benefits for teachers on behalf of the Department for Education and Skills. Benefits are payable by the TPA on an unfunded basis and any liability is ultimately the responsibility of the Department for Education and Skills.

In 2010-11 the Council paid £9.563m (£9.131m in 2009-10) to the Teachers' Pension Agency in respect of Employers Contributions on teachers pension costs. The current contribution rate remains unchanged at 14.10% which was effective from 1 January 2007.

In addition, the Council is responsible for all pension payments relating to added years that it has awarded, together with the related increases. In 2010-11 these amounted to £0.705m (£0.732m in 2009-10) representing 0.98% (1.07% in 2009-10) of gross pay.

The assets and liabilities for the Teachers' Scheme cannot be identified at individual employer level and for the purposes of Statement of Accounts it is therefore accounted for on the same basis as a defined contribution scheme. The accrued liability in respect of pension contribution as at 31 March 2011 was £1.163m (2009-10 £nil).

#### **5.42 Contingent liabilities**

At 31 March 2010-11, the Council had two material contingent liabilities:

- There is a provision of £0.253m for claims in relation to charges made in the past for accommodation under the Mental Health Act s117. Claims are now being processed and the amounts payable may be in excess of the provision. Other local authorities have similar potential claims; and
- The Council has a contingent liability in relation to Municipal Mutual Insurance (MMI), its former insurer, arising from possible new claims and clawback provisions. However, the extent of this liability is very unclear at this stage and subject to a long chain of events. Moreover any issues arising will affect a large number of local authorities and may require government intervention.

### 5.43 Financial instruments

The following categories of financial instrument are carried in the Balance Sheet at amortised costs.

|  | Long-term       |                 | Current        |                |
|--|-----------------|-----------------|----------------|----------------|
|  | 31-Mar-11       | 31-Mar-10       | 31-Mar-11      | 31-Mar-10      |
|  | £000            | £000            | £000           | £000           |
| <b>Investments</b>                               |                 |                 |                |                |
| Loans and receivables                            | 18,000          | 0               | 65,554         | 64,738         |
| <b>Total investments</b>                         | <b>18,000</b>   | <b>0</b>        | <b>65,554</b>  | <b>64,738</b>  |
| <b>Debtors</b>                                   |                 |                 |                |                |
| Loans and receivables                            | 3,604           | 3,713           |                |                |
| Financial assets carried at contract amounts     |                 |                 | 10,420         | 13,339         |
| <b>Total Debtors</b>                             | <b>3,604</b>    | <b>3,713</b>    | <b>10,420</b>  | <b>13,339</b>  |
| <b>Borrowings</b>                                |                 |                 |                |                |
| Financial liabilities at amortised cost          | -261,963        | -242,108        | -33,658        | -16,181        |
| <b>Total borrowings</b>                          | <b>-261,963</b> | <b>-242,108</b> | <b>-33,658</b> | <b>-16,181</b> |
| <b>Other Long Term Liabilities</b>               |                 |                 |                |                |
| PFI and finance lease liabilities                | -24,315         | -23,040         | -1,816         | -1,377         |
| <b>Total other long term liabilities</b>         | <b>-24,315</b>  | <b>-23,040</b>  | <b>-1,816</b>  | <b>-1,377</b>  |
| <b>Creditors</b>                                 |                 |                 |                |                |
| Financial liabilities carried at contract amount |                 |                 | -54,038        | -55,581        |
| <b>Total creditors</b>                           | <b>0</b>        | <b>0</b>        | <b>-55,854</b> | <b>-56,958</b> |

The balance on the current category of financial liabilities consists of certain elements of creditors. The reason for exclusions is that many sections of creditors relate to statutory functions, not contractual arrangements as covered by the new Financial Reporting Standards.

Similarly, and for the same reason, the balance on current loans and receivables consists of short term loans and certain elements of debtors. The short term loans amount to £65.6m.

For further details of gross amounts held under debtors and creditors, and the corresponding provisions for bad debt, please refer to notes [5.17] and [5.20]. These notes provide a more comprehensive picture as they include all debtor and creditor amounts irrespective of whether they are due to contractual or statutory activities.

### Fair Value

The fair value of an instrument is determined by calculating the Net Present Value of future cash flows, which provides an estimate of the value of payments in the future in today's terms.

The discount rate used should be equal to the current rate in relation to the same instrument from a comparable lender. This will be the rate applicable in the market on the date of valuation, for an instrument with the same duration.

The calculations are made with the following assumptions:

- For PWLB debt, the rate used is either the new borrowing rate or the premature repayment rate as the discount factor;
- Accrued interest has been included in the fair value calculations;
- For other market debt and investments the rate used was obtained from the market on 31st March using bid price where applicable;
- No early repayment or impairment is recognised; and
- The fair value of trade and other receivables is taken to be the carrying value or invoiced or billed amount.

The comparison with fair value where there is material difference is given below:

|                       | 31-Mar-11       |            | 31-Mar-10       |            |
|-----------------------|-----------------|------------|-----------------|------------|
|                       | Carrying Amount | Fair Value | Carrying amount | Fair Value |
|                       | £000            | £000       | £000            | £000       |
| Financial Liabilities | -261,963        | -260,326   | -242,108        | -254,604   |
| Financial Assets      | 83,554          | 84,306     | 64,738          | 66,669     |

At 31 March 2010, the fair value of liabilities was higher than the carrying amount because the Council's portfolio of loans included a number of fixed rate loans where the interest payable was higher than the rates for similar loans at the balance sheet date. The portfolio is structured differently at 31 March 2011. The fair value of the stepped rate LOBO loan exceeds the original principal by £3.90m. The position is similar for the external market date, where the fair value of the loans is £7.56m higher than the original principal. However, the position is reversed for the PWLB debt, for which the fair value of £117.06m is less than the original principal of £130.0m by £12.94m.

## Nature and extent of risks arising from financial instruments

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. The Council has fully adopted CIPFA's Code of Treasury Management Practices. The Treasury Management and Investment Strategy for 2010-11 was approved by the Council in February 2010.

### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum score of AAA sovereign rating AA- long term rating, F1+ short term rating, support rating level 2 and individual rating B, with limits set for each borrower based on the rating score. Investments are diversified across institutions to ensure an even spread of risk throughout the counterparty list. Information relating to the counterparties is constantly monitored and action taken should any institution fail to meet the minimum criteria

The table below shows a summary of institutions with which the Council has deposits.

|                       | Amount at<br>31-Mar-11<br>£000 | Historical<br>experience<br>of default<br>% | Historical<br>experience<br>of adjusted<br>for market<br>conditions at<br>31-Mar-11<br>% | Estimated<br>exposure to<br>default and<br>incollecability<br>£000 |
|-----------------------|--------------------------------|---|--|--|
| UK Banks              | 90,188                         | 0.00  | 1.77   | 1,596  |
| UK Building Societies | 15,000                         | 0.00  | 1.77   | 266  |
| UK Money Market Funds | 7,713                          | 0.00  | 1.77   | 137  |
| Customers             | 8,283                          | 14.44                                       | 44.15  | 3,657  |
| Total                 |                                |   |  | <u>5,656</u>   |

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council does not generally allow credit for customers. There are no impaired debtors. The past due date amount can be analysed by age as follows:

| Amount at<br>31-Mar-10<br>£000 |                        | Amount at<br>31-Mar-11<br>£000 |
|--------------------------------|------------------------|--------------------------------|
| 9,236                          | Less than three months | 3,475                          |
| 552                            | Three to six months    | 1,214                          |
| 593                            | Six months to one year | 1,196                          |
| 11,161                         | More than one year     | 2,398                          |
| <u>21,542</u>                  | <b>Total Debtors</b>   | <u>8,283</u>                   |

Reduction in the overall level of debt is the result of a write-off of old irrecoverable balances during 2010-11.

### Liquidity risk

As the Council has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates.

Note [5.22] gives further details on the maturity analysis of financial liabilities.

### **Market Risk – Interest Rate Risk**

The Council is exposed to interest rate risk in two different ways; the first being the uncertainty of interest paid/received on variable rate instruments and the second being the effect of fluctuations in interest rates on the fair value of an instrument.

The current interest rate risk for the Council is summarised below:

- Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Income and Expenditure Account;
- The fair value of fixed rate financial asset will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value; and
- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for the majority of liabilities held at amortised cost, but will impact on the disclosure note for fair value.

The Council has a number of strategies for managing interest rate risk. The Council's policy is to aim to bring the average borrowing rate down and to keep a maximum of 50% of its borrowings in variable rate loans. However, at present the Council does not hold any variable rate loans as most of the higher rate variable loans were replaced by fixed interest rate loans when a major debt restructuring exercise was carried out. Also, a total of £83.80m is held in the form of Lenders Option Borrowers Option (LOBOs) loans, at favourable rates (approximately 63.58% of the total debt portfolio). Following the initial fixed term, this will allow the flexibility of variable rate loans characteristics. As part of treasury management the debt portfolio is kept under review and during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

The Council had a weighted average balance of loans during 2010-11 of £259.03m. A movement of 1% in the rate payable would not have exposed the Council to any additional interest cost as the Council does not currently hold any variable rate loans.

The Council had an average balance of investments for 2010-11 of £127.2m. With the base rate currently fixed at 0.5%, the risk of exposure from a downwards move is minimised. A positive movement of 1% in rates received on average investment balances would generate additional investment income of £1.3m.

## 5.44 Transition to IFRS

The Council has prepared its accounts under International Reporting Standards (IFRS) for the first time in 2010-11. In the first year of adoption there are specific transitional arrangements which require the accounts to reflect the new accounting policies as if these had always been applied. This has required the restatement of comparative figures in the income and expenditure account for 2009-10 and balance sheet at 1 April 2009 and 31 March 2010.

### 5.44.1 Comprehensive Income and expenditure statement

The table shows the adjustments made to the comprehensive income and expenditure statement (CIES) for 2009-10 accounts in the format required under the Code of Practice on Local Authority Accounting.

# Notes to the Financial Statements

|  | Original Accounts Figure in IFRS format<br>2009-10 |                         |                            | Changes Due to IFRS<br>2009-10 |                         |                            | Restated Figure<br>2009-10   |                         |                            |
|--|--|-------------------------|----------------------------|--------------------------------|-------------------------|----------------------------|------------------------------|-------------------------|----------------------------|
|  | Gross<br>Expenditure<br>£000                       | Gross<br>Income<br>£000 | Net<br>Expenditure<br>£000 | Gross<br>Expenditure<br>£000   | Gross<br>Income<br>£000 | Net<br>Expenditure<br>£000 | Gross<br>Expenditure<br>£000 | Gross<br>Income<br>£000 | Net<br>Expenditure<br>£000 |
| Central Services to the public                               | 23,293   | -21,935                 | 1,358                      | 0                              |                         | 0                          | 23,293                       | -21,935                 | 1,358                      |
| Cultural, Environmental, Regulatory and<br>Planning Services | 59,817   | -12,249                 | 47,568                     | 1,704                          | -1,802                  | -98                        | 61,521                       | -14,051                 | 47,470                     |
| Education and Children's Services                            | 365,724  | -193,305                | 172,419                    | 1,859                          | -53                     | 1,806                      | 367,583                      | -193,358                | 174,225                    |
| Highways and Transport Services                              | 27,854   | -13,433                 | 14,421                     | 1,558                          | 0                       | 1,558                      | 29,412                       | -13,433                 | 15,979                     |
| Housing Services (HRA)                                       | -12,033  | -24,962                 | -36,995                    | 39                             | 0                       | 39                         | -11,994                      | -24,962                 | -36,956                    |
| Housing Services (General Fund)                              | 128,327  | -119,625                | 8,702                      | -8                             | 10                      | 2                          | 128,319                      | -119,615                | 8,704                      |
| Adult Social Care  | 89,019   | -21,903                 | 67,116                     | 385                            | 0                       | 385                        | 89,404                       | -21,903                 | 67,501                     |
| Corporate and democratic core                                | 14,212   | -4,927                  | 9,285                      | 1                              | 0                       | 1                          | 14,213                       | -4,927                  | 9,286                      |
| Non distributed costs  | 613  | -220                    | 393                        | 0                              | 0                       | 0                          | 613                          | -220                    | 393                        |
| Cost Of Services   | 696,826  | -412,559                | 284,267                    | 5,538                          | -1,845                  | 3,693                      | 702,364                      | -414,404                | 287,960                    |
| Other Operating Expenditure                                  | 9,162  | -1,853                  | 7,309                      | 0                              | 0                       | 0                          | 9,162                        | -1,853                  | 7,309                      |
| Financing and Investment Income and<br>Expenditure           | 25,349   | -1,559                  | 23,790                     | 513                            | 1,796                   | 2,309                      | 25,862                       | 237                     | 26,099                     |
| Surplus or Deficit of Discontinued Operations                | 0  | 0                       | 0                          | 0                              | 0                       | 0                          | 0                            | 0                       | 0                          |
| Taxation and Non-Specific Grant Income                       | 0  | -179,206                | -179,206                   | 0                              | -42,760                 | -42,760                    | 0                            | -221,966                | -221,966                   |
| (Surplus) or Deficit on Provision of Services                |  |                         | 136,160                    |                                |                         | -36,758                    |                              |                         | 99,402                     |
| Surplus or deficit on revaluation of fixed assets            |  |                         | 11,152                     |                                |                         |                            |                              |                         | 11,152                     |
| Actuarial gains / losses on pension assets /<br>liabilities  |  |                         | 152,081                    |                                |                         |                            |                              |                         | 152,081                    |
| Other Comprehensive Income and Expenditure                   |  |                         | 163,233                    |                                |                         | 0                          |                              |                         | 163,233                    |
| Total Comprehensive Income and Expenditure                   |  |                         | 299,393                    |                                |                         | -36,758                    |                              |                         | 262,635                    |



## 5.44.2 Balance Sheet

The table shows the balance sheet at 1 April 2009 and 31 March 2010 restated in accordance with the introduction of IFRS.

|                                    | Original Figures<br>in IFRS Format<br>01-Apr-09<br>£000 | Changes<br>due to IFRS<br>01-Apr-09<br>£000 | Restated<br>01-Apr-09<br>£000 | Original Figures<br>in IFRS Format<br>31-Mar-10<br>£000 | Changes due to<br>IFRS<br>31-Mar-10<br>£000 | Restated<br>31-Mar-10<br>£000 |
|------------------------------------|---|---|-------------------------------|---|---|-------------------------------|
| Property Plant and Equipment       | 1,143,657   | 24,093                                      | 1,167,750                     | 1,068,713   | 22,456                                      | 1,091,169                     |
| Investment Property                | 41,011  | -22,375                                     | 18,636                        | 42,491  | -17,669                                     | 24,822                        |
| Long Term Investments              | 16,345  | 0   | 16,345                        | 0   | 0   | 0                             |
| Long Term Debtors                  | 3,897   | 0   | 3,897                         | 3,712   | 0   | 3,712                         |
| <b>Long Term Assets</b>            | <b>1,204,910</b>  | <b>1,718</b>                                | <b>1,206,628</b>              | <b>1,114,916</b>  | <b>4,787</b>                                | <b>1,119,703</b>              |
| Short Term Investments             | 68,858  | -14,977                                     | 53,881                        | 95,319  | -30,578                                     | 64,741                        |
| Inventories                        | 91  | 0   | 91                            | 26  | 0   | 26                            |
| Short Term Debtors                 | 32,242  | 0   | 32,242                        | 28,205  | 0   | 28,205                        |
| Cash and Cash Equivalents          | -5,622  | 14,977                                      | 9,355                         | -7,303  | 30,578                                      | 23,275                        |
| <b>Current Assets</b>              | <b>95,569</b>   | <b>0</b>                                    | <b>95,569</b>                 | <b>116,247</b>  | <b>0</b>                                    | <b>116,247</b>                |
| Short Term Borrowing               | -17,594   | 0   | -17,594                       | -16,181   | 0   | -16,181                       |
| Short Term Creditors               | -78,625   | 2,629                                       | -75,996                       | -70,216   | -1,914                                      | -72,130                       |
| <b>Current Liabilities</b>         | <b>-96,219</b>  | <b>2,629</b>                                | <b>-93,590</b>                | <b>-86,397</b>  | <b>-1,914</b>                               | <b>-88,311</b>                |
| Long Term Provision                | 0   | -3,915                                      | -3,915                        | 0   | -4,474                                      | -4,474                        |
| Long Term Borrowing                | -212,217  | 0   | -212,217                      | -242,108  | 0   | -242,108                      |
| Other Long Term Liabilities        | -202,516  | -1,921                                      | -204,437                      | -365,339  | -4,137                                      | -369,476                      |
| Capital Grants Receipts in Advance | -70,116   | 13,456                                      | -56,660                       | -107,422  | 44,583                                      | -62,839                       |
| <b>Long Term Liabilities</b>       | <b>-484,849</b>   | <b>7,620</b>                                | <b>-477,229</b>               | <b>-714,869</b>   | <b>35,972</b>                               | <b>-678,897</b>               |
| <b>Net Assets</b>                  | <b>719,411</b>  | <b>11,967</b>                               | <b>731,378</b>                | <b>429,897</b>  | <b>38,845</b>                               | <b>468,742</b>                |
| Usable Reserves                    | -91,244   | 51,212                                      | -40,032                       | -107,985  | 60,121                                      | -47,864                       |
| Unusable Reserves                  | -628,167  | -63,179                                     | -691,346                      | -321,912  | -98,966                                     | -420,878                      |
| <b>Total Reserves</b>              | <b>-719,411</b>   | <b>-11,967</b>                              | <b>-731,378</b>               | <b>-429,897</b>   | <b>-38,845</b>                              | <b>-468,742</b>               |

### 5.44.3 Prior year adjustments

The net effect of the adjustments on the balance sheet are summarised in the following tables.

| Changes<br>due to IFRS<br>Balance<br>Sheet<br>01-Apr-09<br>£000 |   | Changes<br>due to IFRS<br>Balance<br>Sheet<br>31-Mar-10<br>£000 |
|---|---|---|
|   | <b>Property Classification</b>                          |   |
| 22,375  | Property Plant and Equipment                            | 17,396  |
| -22,375   | Investment Property                                     | -17,669   |
|   | <b>Lease Adjustments</b>                                |   |
| 1,718   | Property Plant and Equipment                            | 5,060   |
|   | Short Term Creditors                                    | -1,136  |
| -1,921  | Other Long Term Liabilities                             | -4,137  |
|   | <b>Accumulated Absences</b>                             |   |
| -6,734  | Short Term Creditors                                    | -7,970  |
|   | <b>Government Grants</b>                                |   |
| 13,456  | Capital Grants Receipts in Advance                      | 44,583  |
| 5,448   | Short Term Creditors                                    | 2,718   |
|   | <b>Insurance Provision</b>                              |   |
| -3,915  | Long Term Provisions                                    | -4,474  |
| 3,915   | Short Term Creditors                                    | 4,474   |
|   | <b>Cash and Cash Equivalents</b>                        |   |
| -14,977   | Short Term Investments                                  | -30,578   |
| 14,977  | Cash and Cash Equivalents                               | 30,578  |
| <u>11,967</u>   | Balance Sheet Adjustments 1 April 2009 to 31 March 2010 | <u>38,845</u>   |

### 5.44.4 Adjustments

#### Property Classification

Property has been reclassified as either Property Plant and Equipment (PP&E) or Investment Properties in accordance with the code of practice. The definition of Investment Property is more restricted under the code of practice so a number of properties have moved to PP&E resulting in an additional depreciation charge in 2009-10. Investment properties are properties (land or building, or part of a building, or both) held solely to earn rentals or for capital appreciation (or both). The net income generated from investment properties and changes in fair value are recognised in the Comprehensive Income and Expenditure Account under the heading of Financing and Investment Income and Expenditure.

### 5.44.5 Borrowing costs

For 2010-11 the Council has changed its accounting policy for borrowing costs incurred where items of property, plant and equipment take a substantial period of time to get ready for their intended use. Previously borrowing costs had been charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the financial year in which they were incurred.

The Council has enhanced the accounting policy because it believes that the capitalisation of borrowing costs better reflects the costs of property, plant and equipment and helps ensure that those benefiting from the use of the asset meet those costs.

In applying the new accounting policy, the Council has not identified any other scheme in 2009-10 where there would be a continuing material impact if borrowing costs had been capitalised.

#### 5.44.6 Short term absences

Employees build up an entitlement to paid holiday as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the Council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

#### 5.44.7 Leases

The Council has examined lease arrangements for property and equipment. A number of equipment leases where the Council is lessee, primarily for vehicles and photocopiers were previously recognised as operating lease and have been reclassified under IFRS as finance leases. This means that these assets are recognised in the Council's balance sheet. There is also a liability shown in the balance sheet representing minimum lease repayments. This is split between short term creditors for payments due within one year and long term liabilities for payments due beyond one year.

Apart from the lease by the Council of one HRA property under a finance lease, no other properties where the Council is either lessee or lessor were identified as finance lease arrangements. As a result there has been no change in accounting treatment of the existing property leases.

#### 5.44.8 Government Grants

Under the Code of Practice, capital and revenue grants are recognised in the income and expenditure account with immediate effect unless there are conditions attached to the grant that would require repayment in the event of those conditions not being fulfilled. Where the conditions of a capital grant have been fulfilled but the related expenditure has not yet been incurred, the grant is held as a Usable Reserve in the balance sheet. Where the conditions have not yet been fulfilled, the grant is held as a Capital Receipt in Advance, indicating that a liability for repayment exists. If the expenditure relating to an unconditional revenue grant has not yet been incurred, the grant can be held in an earmarked reserve to be drawn down to finance expenditure in a future year, or the income can just be part of the general reserve balances rather than set aside of a specific purpose.

#### 5.44.9 Cash and cash equivalents

Short term investments have been reclassified as cash and cash equivalents as part of the restatement. These are investments which mature within 3 months of the end of the financial year.

#### 5.44.10 Provisions

The Council's future liability to make settlements of Insurance claims has been reclassified from a liability to a provision. A provision is made where the timing or amount of a future payment are uncertain.

## 6 Housing Revenue Account

### 6.1 Housing Revenue Account (HRA)

The account is maintained in accordance with the provisions of the Local Government and Housing Act 1989 to show all the transactions relating to the provision, maintenance and management of the Council's housing stock.

#### Summary of Income and Expenditure

| Restated<br>2009-10<br>£000 |   | Note  | 2010-11<br>£000 | £000           |
|-----------------------------|---|-------|-----------------|----------------|
|                             | <b>Expenditure</b>  |       |                 |                |
| 5,274                       | Repairs and maintenance   |       | 6,139           |                |
| 6,490                       | Supervision and management  |       | 7,112           |                |
| 195                         | Rents, rates, taxes and other charges   |       | 174             |                |
| 6,847                       | Negative HRA Subsidy payable  | 6.2.3 | 6,582           |                |
| 3,825                       | Depreciation of non current assets  | 6.2.4 | 3,958           |                |
| 0                           | Impairment  |       | 126,211         |                |
| -34,801                     | Reversal of past impairment losses  |       | -286            |                |
| 40                          | Debt management costs   |       | 32              |                |
| 136                         | Movement in the allowance for bad debts   |       | 148             |                |
| <b>-11,994</b>              | <b>Total Expenditure</b>  |       |                 | <b>150,070</b> |
|                             | <b>Income</b>   |       |                 |                |
| -21,809                     | Dwelling rents (gross)  | 6.2.1 | -22,201         |                |
| -800                        | Non-dwelling rents (gross)  | 6.2.2 | -774            |                |
| -1,735                      | Charges for services and facilities   |       | -1,962          |                |
| -618                        | Contributions towards expenditure   |       | -753            |                |
| <b>-24,962</b>              | <b>Total Income</b>   |       |                 | <b>-25,690</b> |
| <b>-36,956</b>              | <b>Net cost of HRA Services as included in the Whole Authority Comprehensive Income and Expenditure Statement</b>                       |       |                 | <b>124,380</b> |
| 197                         | HRA services' share of Corporate and Democratic Core  |       |                 | 197            |
| <b>-36,759</b>              | <b>Net cost of HRA Services</b>   |       |                 | <b>124,577</b> |
|                             | <b>HRA share of operating income &amp; expenditure included in the Whole Authority Comprehensive Income &amp; Expenditure Statement</b> |       |                 |                |
| -1,080                      | (Gain) or loss on sale of HRA Fixed Assets  |       |                 | 3,698          |
| 2,107                       | Interest payable and similar charges  | 6.2.5 |                 | 2,227          |
| -115                        | Interest & investment income  |       |                 | -56            |
| 0                           | Capital Grant income  |       |                 | -289           |
| <b>-35,847</b>              | <b>(Surplus) / Deficit for the year on HRA services</b>   |       |                 | <b>130,157</b> |

**Statement of Movement on the HRA Balance**

| 2009-10<br>£000 |   | Note   | 2010-11<br>£000 |
|-----------------|---|--------|-----------------|
| 5,142           | <b>Balance on HRA at end of the previous year</b>                           |        | <b>4,784</b>    |
| -35,847         | (Surplus) or Deficit for the year on the HRA Income & Expenditure Statement |        | <b>130,157</b>  |
| 1,316           | Adjustment between accounting basis and funding basis under regulations     | 6.2.11 | <b>-3,458</b>   |
| <b>-34,531</b>  | Net increase or decrease before transfers to/from reserves                  |        | <b>126,699</b>  |
| 34,889          | Transfer to/from reserves   | 6.2.11 | <b>-125,695</b> |
| <b>358</b>      | <b>Decrease in year on the HRA</b>  |        | <b>1,004</b>    |
| 4,784           | <b>Balance on HRA at end of the current year</b>                            |        | <b>3,780</b>    |

**6.2 Notes to the Housing Revenue Account****6.2.1 Dwelling Rents Income**

This is the total income due for the year after allowance is made for voids etc. At year-end 0.89% of lettable properties were vacant; in 2009-10 the figure was 1.13%. The average depooled rents were £86.60 per week in 2010-11 (£84.00 in 2009-10). There was an average rent increase of 2.85% over the previous year.

**6.2.2 Non-dwelling Rents**

This includes garages. At the year-end 42.86% of garages were vacant compared with 46.39% in 2009-10.

**6.2.3 HRA Subsidy**

This represents the amount of negative subsidy payable to the Government by the Council. It represents notional rent and other income against expenditure deemed by the Government to have been incurred for management, maintenance and charges for capital.

## Housing Revenue Account

| 2009-10<br>£000 |                                   | 2010-11<br>£000 |
|-----------------|-----------------------------------|-----------------|
|                 | <b>Notional Expenditure</b>       |                 |
| 9,118           | Management and maintenance        | 9,600           |
| 3,778           | Major Repairs Allowance           | 3,932           |
| 2,217           | Charges for capital               | 2,292           |
| <u>15,113</u>   | <b>Total notional expenditure</b> | <u>15,824</u>   |
|                 | <b>Notional Income</b>            |                 |
| -21,946         | Rents                             | -22,314         |
| -10             | Other                             | -8              |
| <u>-21,956</u>  | <b>Total notional income</b>      | <u>-22,322</u>  |
|                 | <b>Other</b>                      |                 |
| 6,843           | HRA subsidy                       | 6,498           |
| 4               | Prior year adjustment             | 84              |
| <u>6,847</u>    | <b>Total Subsidy payable</b>      | <u>6,582</u>    |

### 6.2.4 Depreciation

|                                      | Land<br>£000 | Dwellings<br>£000 | Garages &<br>Halls<br>£000 | Shops<br>£000 | Non<br>operational<br>assets<br>£000 | Total<br>2010-11<br>£000 |
|--------------------------------------|--------------|-------------------|----------------------------|---------------|--------------------------------------|--------------------------|
| Net book value as at 1 April 2010    | 134,596      | 249,964           | 14,973                     | 3,821         | 17                                   | 403,371                  |
| Revaluations and restatements        | -42,186      | -78,336           | -540                       | 354           | 47                                   | -120,661                 |
| Value at 31 March 2011               | 92,410       | 171,628           | 14,433                     | 4,175         | 64                                   | 282,710                  |
| Disposals                            | -1,403       | -2,606            | -785                       | -220          | 0                                    | -5,014                   |
| Gross book value as at 31 March 2011 | 91,007       | 169,022           | 13,648                     | 3,955         | 64                                   | 277,696                  |
| Depreciation for year                | 0            | -3,932            | 0                          | -26           | 0                                    | -3,958                   |
| Net book value as at 31 March 2011   | 91,007       | 165,090           | 13,648                     | 3,929         | 64                                   | 273,738                  |

The valuation of HRA fixed assets has been prepared on the basis of Existing Use Value and calculated in accordance with the Guidance on Stock Valuation published by the DCLG in July 2005 (This recognises their value as social housing). The HRA portfolio has been adjusted in line with the 5 year rolling programme of valuations as set out in Accounting Policies [5.1.15] Property, Plant and Equipment.

A vacant possession valuation for dwellings at 1 April 2010 would have been £982.471m (£894.663m at 1 April 2009), therefore recognising the economic cost to the Government of providing Council housing at less than open market value of £736.883m.

Although The Code requires disclosure of Economic cost of providing Council housing at less than open market rent by resource accounting, the equivalent cost based on Land Registry index as at 1 April 2010 is £738.763m.

In accordance with IFRS, an assessment of the depreciation charge using asset componentisation was made for HRA dwellings. The MRA has been used as a proxy for the depreciation charge as it is considered a reasonable estimate of dwelling depreciation. Non dwellings have been depreciated in line with the Standard Accounting Policies.

Charges for impairment of HRA assets were £126.211m (2009-10 £nil). There was no amortisation of revenue expenditure funded from capital resources during the financial year. No non operational land is held within the HRA.

### 6.2.5 Interest Payable

Interest charges payable on borrowings are charged to the HRA and are determined in accordance with the item 8 Credit and Item 8 Debit (General) determination made by the Secretary of State.

### 6.2.6 Major Repairs Reserve

As from 1 April 2001 councils are required to establish and maintain a Major Repairs Reserve. The main credit to the reserve is an amount equal to the total depreciation charge for HRA Assets. Authorities are able to charge capital expenditure directly to the reserve.

|           | Balance<br>01-Apr-10<br>£000 | Transfer to<br>Reserve<br>£000 | Capital<br>Expenditure<br>£000 | Balance<br>31-Mar-11<br>£000 |
|-----------|------------------------------|--------------------------------|--------------------------------|------------------------------|
| Movements | 0                            | 3,932                          | -3,932                         | 0                            |



## 6.2.7 Capital Expenditure and Funding Statement

| 2009-10<br>£000 |  | 2010-11<br>£000 |
|-----------------|--|-----------------|
|                 | <b>HRA Capital Expenditure</b>                       |                 |
| 11,163          | Dwellings  | 5,302           |
| <u>11,163</u>   | <b>Total</b>   | <u>5,302</u>    |
|                 | <b>Financed by:</b>                                  |                 |
| 3,778           | Major Repairs Reserve                                | 3,932           |
| 451             | Capital receipts - Right to Buy & Affordable Housing | 516             |
| 39              | Grant - extensions and conversions                   | 249             |
| 6,895           | Borrowing  | 605             |
| <u>11,163</u>   | <b>Total</b>   | <u>5,302</u>    |

## 6.2.8 Capital Receipts

Under the Local Government and Housing Act 1989 a percentage of income from the disposal of HRA assets must be set aside. This 'reserved' element can be used to either repay debt or as a provision to meet future credit liabilities.

| 2009-10<br>£000 |                            | 2010-11<br>£000 |
|-----------------|----------------------------|-----------------|
| 0               | <b>Balance at 1 April</b>  |                 |
|                 | Receipts in year:          |                 |
| 1,797           | Houses                     | 920             |
| -1,346          | Paid to DCLG Pool          | -690            |
| -451            | Applied in the year        | -230            |
| <u>0</u>        | <b>Balance at 31 March</b> | <u>0</u>        |

## 6.2.9 Pensions (IAS 19)

The Council considers it to be proper accounting practice to allow the HRA to be charged with an attributable share of current and past service costs. To ensure there is no net effect on the HRA both entries are reversed out and replaced by employers' contributions payable via an appropriation to the Pension Reserve after net operating expenditure.

Note [5.41] gives further details.

## 6.2.10 Housing Revenue Account Statistics

| 2009-10<br>Total   | Housing Stock   | Houses | Flats | Bungalows | 2010-11<br>Total |
|--|---|--------|-------|-----------|------------------|
| 99   | 4 or more bedrooms  | 103    | 1     | 1         | 105              |
| 1,409  | 3 bedrooms  | 1294   | 98    | 1         | 1,393            |
| 1,514  | 2 bedrooms  | 558    | 882   | 26        | 1,466            |
| 2,036  | 1 bedroom   | 0      | 1866  | 136       | 2,002            |
| 5,058  | LBH managed stock as at 1 April *   |        |       |           | 4,966            |
| 1,052  | Garages   |        |       |           | 1,036            |
| 5,067  | <b>Summary of change in stock</b>   |        |       |           | 5,058            |
|  | Stock as at 1 April   |        |       |           |                  |
|  | <b>Less</b>   |        |       |           |                  |
| -9   | Sales   |        |       |           | -5               |
| 0  | Conversions   |        |       |           | -87              |
| 5,058  | <b>Total HRA stock at 31 March</b>  |        |       |           | 4,966            |
| <b>Measures of performance &amp; information for disclosure notes to HRA</b> |   |        |       |           |                  |
| £45.13   | Average weekly costs per dwelling of management and maintenance                                       |        |       |           | £46.04           |
| £1.397m  | Rent arrears (current and former tenants)   |        |       |           | £1.253m          |
| 97.19%   | Rent collection rate [BVPI 66a]   |        |       |           | 98.36%           |
|  | Current tenant arrears as percentage of the authorities rent roll (whether dwellings occupied or not) |        |       |           | 2.06%            |
| 3.46%  | Rent loss through voids   |        |       |           | 0.94%            |
| 0.86%  | Write offs in year  |        |       |           | £0.035m          |
| £0.013m  | Provision for bad debts   |        |       |           | £0.786m          |
| £1.010m  |   |        |       |           |                  |

\*Included in the LBH managed stock is one property transferred from London Borough of Ealing under the 1994 boundary changes.

## 6.2.11 Statement of Movement on the HRA Balance

| 2009-10<br>£000 |  | 2010-11<br>£000 |
|-----------------|--|-----------------|
|                 | <b>Adjustment between accounting basis and funding basis under regulations</b>   |                 |
| 230             | Premiums on Debt Restructure   | 220             |
|                 | <b>Difference between any other item of income &amp; expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements</b> |                 |
| 6               | Accumulated Compensated Absences Adjustment  | 20              |
| 1,080           | Gain or loss on sale of HRA fixed assets   | -3,698          |
| <u>1,316</u>    |  | <u>-3,458</u>   |
|                 | <b>Transfer to/from earmarked reserves</b>   |                 |
|                 | <b>HRA share of contributions to/from Pensions reserve :</b>   |                 |
| -337            | Net charges made for retirement benefits in accordance with IAS19  | -377            |
| 470             | Employer's contributions payable in the year   | 350             |
|                 | <b>Transfer to/from the Capital Adjustment Account</b>   |                 |
| 34,801          | Impairment   | -125,925        |
| 0               | Capital expenditure funded by Grants   | 289             |
| 0               | Voluntary set aside  | 23              |
| -45             | Finance Lease Depreciation   | -29             |
| -3,778          | Depreciation transfer  | -3,958          |
| 3,778           | Transfer to/from the Major Repairs Reserve   | 3,932           |
| <u>34,889</u>   |  | <u>-125,695</u> |
| <u>36,205</u>   |  | <u>-129,153</u> |

## 7 Collection Fund

This account reflects the statutory requirements for the London Borough of Harrow, as the billing Authority, to maintain a separate Collection Fund. The Fund shows the transactions in relation to the Council Tax and Non-Domestic Rates, and sets out the way in which these have been distributed to the General Fund and the Greater London Authority (the preceptor). The council tax is the means of raising income from local residents to pay for council services.

### Statement of Income and Expenditure

| 2009-10<br>£000 |   | Notes | 2010-11<br>£000 |
|-----------------|---|-------|-----------------|
|                 | <b>Income</b>                                     |       |                 |
| -112,795        | Income from Council Tax                           |       | -112,101        |
| -18,802         | Council Tax Benefits (transfer from General Fund) |       | -19,828         |
| -46,528         | Income Collectable from business ratepayers       |       | -44,069         |
| <b>-178,125</b> | <b>Total Income</b>                               |       | <b>-175,998</b> |
|                 | <b>Expenditure</b>                                |       |                 |
|                 | Precepts and demands                              |       |                 |
| 101,753         | Local Demand (Harrow)                             |       | 102,473         |
| 26,568          | Greater London Authority                          |       | 26,757          |
|                 | <b>Business Rates</b>                             |       |                 |
| 46,268          | Payment to the National Pool                      |       | 42,606          |
| 0               | Payment to the GLA - BRS (Crossrail)              | 7.1.3 | 1,206           |
| 260             | Costs of Collection                               |       | 257             |
|                 | <b>Contributions</b>                              |       |                 |
| 380             | Towards previous year's Collection Fund surplus   |       | 1,826           |
|                 | <b>Bad and Doubtful Debts</b>                     |       |                 |
| 1,000           | Council Tax Write Offs                            |       | 1,381           |
| 479             | Council Tax Provisions                            |       | -1,510          |
| <b>176,708</b>  | <b>Total Expenditure</b>                          |       | <b>174,996</b>  |
| -1,417          | Movement on Fund balance: Surplus for the year    |       | -1,002          |
| -355            | Surplus(-) brought forward                        |       | -1,772          |
| <b>-1,772</b>   | <b>Surplus(-) carried forward</b>                 |       | <b>-2,774</b>   |

## 7.1 Notes to the Collection Fund

### 7.1.1 Income from Council Tax

The Council tax is levied on domestic properties and the charge is based on the valuation band assessed for each dwelling. The council tax base, which is used in the tax calculations, is based on the number of dwellings in each band. This is adjusted for exemptions, discounts, disabled banding changes and appeals. The 2010-11 Council Tax Base was 86,362 with a Band D of £1,496.37. The Council Tax, as shown, reflects both Harrow Council and GLA services:

| 2009-10          |             | Valuation Bands               | Band D Ratio | 2010-11          |               |
|------------------|-------------|-------------------------------|--------------|------------------|---------------|
| Property Numbers | Council Tax |                               |              | Property Numbers | Council Tax £ |
| 163              | 997.58      | A = Not exceeding £40,000     | 6/9          | 171              | 997.58        |
| 2,029            | 1,163.84    | B = £40,001 - £52,000         | 7/9          | 2,032            | 1,163.84      |
| 13,837           | 1,330.11    | C = £52,001 - £68,000         | 8/9          | 14,156           | 1,330.11      |
| 25,075           | 1,496.37    | D = £68,001 - £88,000         | 1            | 25,179           | 1,496.37      |
| 24,409           | 1,828.90    | E = £88,001 - £120,000        | 11/9         | 24,537           | 1,828.90      |
| 10,271           | 2,161.42    | F = £120,001 - £160,000       | 13/9         | 10,258           | 2,161.42      |
| 9,388            | 2,493.95    | G = £160,001 - £320,000       | 15/9         | 9,420            | 2,493.95      |
| 2,110            | 2,992.74    | H = £320,001 +                | 18/9         | 2,147            | 2,992.74      |
| <b>87,282</b>    |             | <b>Total</b>                  |              | <b>87,900</b>    |               |
| <b>-1,527</b>    |             | Adjustment for non-collection |              | <b>-1538</b>     |               |
| <b>85,755</b>    |             | <b>Council tax base</b>       |              | <b>86,362</b>    |               |

### 7.1.2 National Non-Domestic Rates

Under the arrangements for National Non-Domestic Rates (NNDR), the Council collects National Non-Domestic Rates (NNDR) for its area, which is based on local rateable values multiplied by a uniform business rate. The total amount, less certain relief's and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government, which in turn pays back to authorities their share of the pool, based on a standard amount per head of the local adult population.

The total non-domestic rateable value for the London Borough of Harrow at the year-end was £128.93m (£128.84m in 2009-10) and the national non-domestic rate multiplier for 2010-11 was 0.414 (0.485 in 2009-10).

### 7.1.3 Business Rate Supplement - Crossrail

In April 2010, the Mayor introduced a levy of 2p on non-domestic properties with a rateable value of over £55,000 in London. Powers were granted to the GLA to introduce this under the 2009 Business Rates Supplements Act.

## **8 Statements Reporting Reviews of Internal Controls**

### **8.1 Annual Governance Statement**

#### **Scope of Responsibility**

Harrow Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. The code has been taken into account in drafting our constitution and a copy can be obtained from:

Harrow Council, Civic Centre, Station Road, Harrow, Middlesex HA1 2XF

or from our website at

[http://www.harrow.gov.uk/downloads/file/8017/part\\_5k-code\\_on\\_corporate\\_governance](http://www.harrow.gov.uk/downloads/file/8017/part_5k-code_on_corporate_governance)

This statement explains how the Council has complied with the code and the governance framework and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2011 in relation to the publication of this Annual Governance Statement.

### **8.2 The Purpose of the Governance Framework**

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled, and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Harrow Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Harrow Council for the year ended 31 March 2011 and up to the date of approval of the statement of accounts.

### **8.3 The Governance Framework**

#### **Identifying, communicating and reviewing the authority's vision**

Harrow Council's vision during 2010-11 was "to be recognised as one of the best London Councils by 2012, in a borough that is cosmopolitan, confident and cohesive". The vision is reviewed annually and for 2011-12 this has been amended to 'Working together: Our Harrow, our community'.

The priorities and flagship actions set out in the corporate plan were set in response to consultations with residents and filter down the organisation hierarchically at Directorate, Service and individual plan levels. The priorities are communicated to residents through "Harrow People" magazine and the harrow.gov internet site.

The Council's vision and corporate priorities are consistent with the Sustainable Community Strategy which has been developed by the Harrow Strategic Partnership together with the local community, with local agencies, stakeholders and residents involved in identifying its priorities. The Strategy shows how the organisations making up the Harrow Strategic Partnership will try to shape the effects of global, national regional and local trends and events to work towards successful outcomes for Harrow. These successful outcomes include making Harrow a better place to live and work over the long term.

Through this partnership, the HSP Members agreed a Local area Agreement which ran until 31 March 2011 and reflects the work that partners needed to do over 3 years to improve the quality of life for local people.

The Better Deal for Residents: Shaping Harrow for the Future (BDfR) programme has been developed to significantly reduce costs each year for the foreseeable future, whilst radically considering the manner and scale of services offered, given the changing needs of residents. The BDfR programme will, in the first instance, include a fundamental review of how the council can deliver more integrated services to local taxpayers across all the public sector partners in the borough. It will focus on how the council can better align services with residents' needs, whilst being more cost effective. The programme will act as the first phase of the Council's Change Management Programme, which will be undertaken over the next two to three years.

Five improvement boards, which cover all areas of the Council, oversee all improvement initiatives across the Council, and the Corporate Strategy Board (CSB) has regular performance monitoring meetings scheduled throughout the year. CSB Membership consists of the Council's 5 Corporate Directors, the Assistant Chief Executive, the Director of Legal and Governance Services and is chaired by the Chief Executive.

Progress towards the Council's corporate priorities is regularly monitored by the improvement boards, Corporate Strategy Board (CSB), the Executive (Members of the Cabinet, consisting of the Leader of the Council and nominated Portfolio Holder Councillors) and the LAA by the Harrow Strategic Partnership. Improvement boards also monitor risks to the achievement of Directorate objectives each quarter.

The Executive meets monthly and the Corporate Strategy Board meet weekly to monitor performance and to consider the key risks to the achievement of those objectives. There are also six weekly 'leadership meetings' between CSB and Cabinet Members.

The corporate priorities which support the Council's vision are reviewed annually and the priorities for 2010-11 were to:

- Deliver cleaner and safer streets;
- Improve support to vulnerable people;
- Build stronger communities.

### **Measuring the quality of services and ensuring best use of resources**

The Council has an integrated planning and budget framework to develop its corporate plan and medium term financial strategy each year, and monitor performance against plans and budgets. The Sustainable Community Strategy and the Local Area Agreement inform the Council's Corporate Planning process. The direction provided by the Corporate Plan and the Medium Term Financial Strategy is cascaded through directorate service improvement plans down to service development plans and then to personal development plans and IPADS for individual staff.

The process commences with the development of a Year Ahead Statement, setting out the evidence base to support the Council's priorities, and this sets the scene for the planning round. More detailed work follows, culminating in the approval of the corporate plan and budget in February each year.

In December 2007 the IDeA carried out a corporate Peer Review of the Council with its partners, at the request of the incoming Chief Executive. The results of this informed the Council's key improvement priorities and shaped the Council Improvement Plan (CIP) for 2008-11.

Performance against plans, key indicators and targets and budgets are monitored during the year by Directorate Management Teams, quarterly Improvement Boards and CSB. There are quarterly monitoring reports to Cabinet on both the budget and performance using a balanced scorecard approach.

The Council has made considerable progress to improve its financial position and financial management in the last 3-4 years. This has involved much more robust medium term planning, an increase in the number of qualified finance staff, training for budget holders, and the replacement of the finance system with Enterprise Resource Management System (ERP).

A Use of Resources Assessment was carried out annually up to and including 2008/09 by the Audit Commission which was wide ranging and covered financial management, performance management, internal control and value for money. The outcome of the assessment resulted in actions being built into service plans and the Council's Improvement Programme. This assessment was abandoned by the new government and as a consequence there was no assessment relating to 2009-10 and a new assessment/self-assessment regime has yet to be announced.



## 8.4 Defining roles

The Council's constitution describes the role and terms of reference of Members, the Executive, Portfolio Holders, Mayor, full Council, the Standards Committee and the Overview and Scrutiny Committee.

Officer responsibilities are also set out in the Constitution, including the Chief Executive and Corporate Directors, the Director of Legal & Governance Services. This includes the various statutory responsibilities of these roles and role profiles of senior officers are in place and relevant officers have written delegated authority to undertake the statutory functions.

Democratic services maintain a register of Members' interests which is published on-line via the Council's web-site.

The Constitution is reviewed on an on-going basis, with full Council making amendments as and when required. During 2010-11 work began on the review of the Financial Regulations and Contract Procedure Rules.

## 8.5 Standards of behaviour and codes of conduct

Members and employees have clear codes of conduct, which set out expectations of behaviour and are regularly reviewed and re-issued. Two training sessions for Members, organised by the Council's Legal Democratic Services team, on the code and ethical governance was provided during May 2010 and a third covering the code and social media took place in June 2011. The employee code forms part of the officer induction training.

A Standards Committee is in place to ensure that individual Members uphold and exemplify good governance and behaviour, and the role of the Committee and its structure was revised during early 2008-09 to reflect its new powers and responsibilities. The Localism Bill includes proposals to abolish Standards for England and means that the Council will be able to choose whether or not to have a member code of conduct and a Standards Committee. Officers are currently working with members in a working group to consider how the council will ensure the high standards of conduct in public life are ensure in the future which is a requirement under the Bill.

Separate mechanisms for Members and Officers are in place in the event that the codes are breached and appropriate action is taken as necessary.

Registers of gifts and hospitality are held at Member and Officer level and reviewed regularly. Departmental Management Teams review the Officer registers at regular intervals. The Member's register is available on-line via the Council's web-site.

In September 2008 the Council adopted new Council values which apply to all employees and replace the previous competency framework for middle managers and above. The values set out expected behavioural standards within 6 themes known as the CREATE values:

- Customer first;
- Respect;

- Engaged communication;
- Actively 'One Council';
- Taking responsibility;
- Energise and improve.

A new suite of employment policies were prepared during 2007-08 and introduced from April 2008 which includes key HR policies for dealing with grievance, disciplinary and harassment issues. These have been communicated to managers under new capability and dignity at work procedures and are available on the Council's intranet site together with the full range of HR policies.

## 8.6 Decision making

Decision making arrangements are set out in the Constitution which governs the conduct of the Council's business and includes Standing Orders and Financial Regulations. The Council operates a Leader and Cabinet (Executive) model of decision making. Although some decisions are reserved for full Council, most are made by the Executive or by Committees, Sub-Committees or officers. The Constitution details those decisions that may not be taken by the Executive and those decisions that have been formally delegated to officers. The powers delegated to individual portfolio holders are also set out in the Constitution.

The Executive is responsible for the implementation of policy and ensuring the effectiveness of service delivery and forthcoming Executive decisions are published on the Forward Plan which sets out all future key decisions that may be made within the following four month period.

Members are required to make sound decisions based on written reports which are prepared in accordance with report writing guidelines and all Cabinet reports have to be cleared by officers in finance, legal services, performance management, environment and portfolio holders. Reports must pay due regard to equalities issues, crime and disorder implications, and risks.

The Executive receive a briefing (Cabinet Briefing) two weeks before the formal Cabinet meeting date when Members can ask detailed technical questions of officers. A Member Development programme is in place to support Members and provide them with information and the skills to make effective decisions.

In accordance with the Local Government Act 2000 the Council has mechanisms in place to allow the effective, independent and rigorous examination of the proposals and decisions by the Executive. These mechanisms involve the Overview and Scrutiny process, call-in. The Overview and Scrutiny Committee is responsible for overseeing a targeted work programme that can help support service improvement through an in-depth investigation of performance and the development of an effective strategy/policy framework for the council and its partners. This includes consideration of the corporate plan, local area agreements and the medium term financial strategy. The Performance and

Finance sub-committee is the scrutiny body responsible for monitoring the performance of the council and its partners in relation to their stated policy and priorities.

All formal meetings are clerked by well trained and experienced Democratic Services Officers who also provide advice on constitutional procedure. Lawyers are present when appropriate to provide advice on law and all committee reports must have legal clearance before they are published.

## **8.7 Internal Control and Risk Management**

Internal control refers to the systems devised by management to guard against risk and promote achievement of objectives. More specifically, internal controls promote:

- achievement of business objectives and performance standards;
- compliance with plans, policies, procedures, codes of conduct, laws;
- regulations;
- the reliability, integrity, timeliness and usefulness of information;
- the legality of transactions and compliance with approved budgets;
- procedures;
- the safeguarding of people, property, finances, services, continued operations; and
- reputation.

Internal controls are an essential part of the Council's risk management arrangements and are required to be reviewed on a regular basis by management under the Council's Financial Regulations. Control systems provide for clarity of policies, objectives, targets, responsibilities and accountabilities, and appropriate authorisations and approvals, separation of duties, level of internal check, management information and physical safeguards.

The Director of Finance is responsible for assisting the authority in putting in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with all applicable statutes, regulations and codes of practice.

The Council has a duty to manage its risks effectively and this is achieved through a consistent corporate process in a hierarchical series of risk registers. A risk management strategy is reviewed and agreed by the Executive each year. The strategic risk register is reviewed by the Corporate Strategy Board on a quarterly basis. All Directorates have risk registers as part of Service Improvement Plans and these are reviewed by Directorate Management Teams regularly and the Improvement boards quarterly.

The Corporate Risk Steering Group, consisting of nominated directorate risk champions and chaired by the Assistant Chief Executive, met 4 times during 2010-11 and provide

challenge on the robustness of the strategic and corporate operational risk registers and the adequacy of controls to mitigate the risk

All risk registers identify risks to the achievement of objectives, the impact and likelihood of current and target risk scores, mitigating actions to control the risks and assign risk owners/champions and control owners.

Business as usual projects are managed through the corporate risk management process, with dedicated risk registers in place to ensure risks are being managed throughout the life of a change programme/project.

All committee reports requiring decisions are required to include commentary on the risks associated with the subject matter of the report so that Members can take informed decisions based on the balance of opportunities versus risks.

## **8.8 Audit arrangements**

An effective Internal Audit service is provided by an in-house team, which operates in accordance with the standards set out in the CIPFA Code of Practice for Internal Audit for Local Government.

The Council's External Auditors, Deloitte LLP, rely on the Internal Audit team's work on the authority's core financial systems to inform their risk assessment that guides the external audit approach.

The Governance, Audit and Risk Management Committee undertake the core functions of an audit committee as identified in CIPFA's Guidance Audit Committees – Practical Guidance for Local Authorities. Its terms of reference which encompasses the review and monitoring role of a range of risk related services including monitoring performance on corporate governance generally were reviewed and updated during 2010-11.

Training was undertaken for the members of the GARM Committee in September 2010 and lead members were nominated as specialists in distinct areas of the GARM Committee responsibilities. Following a change in membership further training was undertaken in June 2011.

## **8.9 Compliance with statute and internal policies and procedures**

The Council's legal service tracks new legislation and keeps the relevant Directorate(s) informed of the implications for future service delivery. Corporate issues are discussed at the Corporate Strategy Board and Corporate Leaders Group.

All internal policies and procedures are contained on the Council's intranet site and communicated to staff. Compliance is monitored through the annual management assurance exercise, Internal Audit reviews and specific monitoring at Directorate Management Team meetings and the quarterly improvement boards.

Key internal policies and procedures are reviewed and communicated regularly, such as the Council's Financial Regulations and Contract Procedure Rules both updated during 2009-10 with a further review currently underway.

Serious breaches of policies and procedures are subject to the Council's disciplinary procedures and where necessary investigated by the Council's Internal Audit service which works closely with the Council's Corporate Anti-Fraud team which maintains the Council's corporate anti-fraud policy and corruption strategy.

### **8.10 Whistle blowing and complaints**

The Council has a whistle blowing policy, publicised to staff and available on the intranet. The policy is primarily designed for staff to raise concerns but also explicitly encompasses contractors, councillors and agents outside the authority. A register of whistleblowing complaints is maintained by the Monitoring Officer and reported to the GARM Committee annually.

The Council has a three stage complaints procedure for members of the public to complain about individual service areas. This was refreshed in 2008-09 and details of the procedure and an online form are contained on the Harrow.gov website. Details of the Local Government Ombudsman Service are included and a printable information pack is available to download. The facility also enables members of the public to provide general comments and suggestions, or compliments.

The aim of the complaints procedure is:

- To provide an accessible means to all our customers who wish to express either satisfaction or dissatisfaction with a service they have received;
- To provide a fair, consistent and structured process for resolving complaints in a courteous and efficient manner;
- To enable customers to complain with the assistance of a representative or advocate if required;
- To record all complaints and compliments to help us analyse customer feedback and inform future service planning and delivery; and
- To obtain records of complaints and compliments made so that regular reviews can be produced for internal performance monitoring and public accountability.

### **8.11 Training and development**

The Council runs a Member induction programme for new Members and a development programme for all Members. The latter consists of a schedule of events throughout the year in a variety of formats, including events led by key officers from across the organisation and quarterly update sessions to keep Members up to speed on new developments/ideas.

A staff appraisal programme (IPAD) exists for all employees which is conducted on an annual basis with a mid year review. The process is formal with a corporate template and is designed to record achievements of staff, enable discussion about training and development needs, personal development and provide a clear understanding of how all individuals work contribute to the Team, Service, Directorate and Corporate priorities. The 2009-10 Management Assurance process highlighted that managers consider that the appraisal process is working well in only 44% of departments across the Council i.e. only 44% reported that 100% of IPADs had been completed (this will be updated on completion of the 2010-11 Management Assurance Exercise.). Action was also identified in the action plan arising from the Staff Survey in November 2009 and although an increased compliance was noted in the 2010 Staff Survey the IPAD process is being reviewed with senior management to address the cultural challenges in ensuring effective performance management. This includes considering whether an on-line appraisal system is introduced (though this is subject to funding) or alternative approaches to IPAD.

The appraisals process is monitored at Divisional Management Team level, at Council Improvement Boards and as part of the annual management assurance exercise.

All Directorates have developed workforce strategies. Learning and development plans for staff are integral to these strategies, as are initiatives to provide career opportunities for existing staff within the Council and Directorates.

All service areas have a budget allocated for training and development of staff.

## **8.12 Communication and consultation**

The Council launched a new corporate consultation strategy in 2008-09 to ensure that there is a joined-up co-ordinated approach to consultation with local people at Harrow Council and the HSP. Consultations are managed through a number of channels, including the Residents Panel and the Council magazine "Harrow People", which is delivered to every household in Harrow seven times a year, is used to communicate important messages to residents.

Internally a variety of media are used to keep staff informed of developments and important information. These range from communications e-letters to poster campaigns, "The Arrow" internal newsletter, the 'Grapevine' an e-newsletter, the Chief Executive's newsletter and staff forums held jointly by the Chief Executive and Leader of the Council when all staff are able to attend and ask questions.

The Council's communications strategy was reviewed in October 2010 and again in May 2011.

Protocols for 2 way communication between the Council and the Trade Unions are well established.

All Committee meetings are held in public except where items on the agenda are exempt from publication due to confidentiality.

## **8.13 Partnerships**

The Local Strategic Partnership in Harrow is called the Harrow Strategic Partnership (HSP). The HSP brings together a group of people who represent the statutory, private, business, community and voluntary sectors in Harrow. The HSP constitution and protocols provide details on the governance of the partnership and the structure and function of the HSP.

Community views and partners data are used by the partnership to shape and influence the boroughs priorities in the Sustainable Community Strategy and the Harrow compact sets out the agreement on how statutory partners interact with the voluntary and community sector.

The Sustainable Community Strategy provides the partnership with a shared vision for the future of Harrow, and is delivered through the three year Local Area Agreement that ran until March 2011.

There will not be an LAA in the future as the Coalition Government has abolished the CAA and reduce the reward grant in-year. There is an ongoing debate throughout local government about the role of partnerships without the driver of LAA's. However, the council adopted new priorities for the partnership in April 2011 and is working up targets and action plans supported by the last of the Reward Grant from the LAA.

The Council has engaged a number of commercial partners to support the delivery of services, from a business transformation project to construction and infrastructure partners. The partnerships have been secured under framework agreements and are subject to strong governance and accountability processes.

Directorate Service Improvement Plans are required to list key partnerships and to consider partnership risks. Joint risk registers exist with key commercial and public partners.

#### **8.14 Review of Effectiveness**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have the responsibility for the development and maintenance of the governance environment, the Corporate Governance Group, the Corporate Governance Working Group, the Internal Audit annual report, and also by comments made by the External Auditors and other review agencies and inspectorates.

The process and activities that have been applied in maintaining and reviewing the effectiveness of the governance framework in the 2010-11 financial year is described below.

#### **The Council**

- Approved the policy framework and the annual revenue and capital budget;
- Contribute to the good governance of the Council and maintained the highest standards of conduct and ethics through the role of Councillors; and
- Aimed to govern within a framework of fairness, openness, integrity and accountability and provided excellent standards of ethics and probity in decision making.

### **The Executive**

- Made decisions in accordance with corporate priorities;
- Allocated responsibility for Member Portfolio Holders to specific areas of responsibility;
- Considered risks and opportunities as part of the decision making process; and
- Monitored performance against the corporate priorities.

### **The Audit Committee (GARM)**

- Met 6 times during 2010-11 and has considered the work of Internal Audit during the year including mid year and end of year reports, will consider the results of the management assurance exercise, approved the Internal Audit Annual work plan, the Internal Audit delivery plan and the results of the updated Internal Audit self assessment against the CIPFA Code of Practice for 2010-11;
- Monitored the effective development of the Council's corporate governance framework;
- Reviewed and challenged the reports provided by External Auditors on behalf of the Audit Commission including the annual audit and inspection letter; and
- Will review and approved the Annual Governance Statement and the supporting evidence.

### **The Standards Committee**

- Received reports from the Council's Monitoring Officer. It also considered and made decisions on allegations of breaches of the member's code of conduct.

### **The Overview and Scrutiny Committee**

- Supported the Council and Executive in developing the policy framework and budget for the Council and worked with partner organisations on issues that may be outside the remit of the Council;
- Considered the Council and its partners' performance against stated policy and priorities;



- Reviewed specific services by making reports and/or recommendations to the full Council, Executive, Portfolio Holders and any joint or area committees on any of their functions;
- Reviewed policy and decisions developed by others by reviewing and/or scrutinising decisions made or actions taken in connection with the discharge of the Council's functions;
- Reviewed issues of concern to local people by considering matters affecting the area or its inhabitants and monitoring and scrutinising the activities of others; and
- Considered the Forward Plan prior to key decisions as appropriate.

### **Internal Audit**

- Provided assurance to the Council on operational and financial controls through the delivery of an agreed audit plan and follow-up reviews;
- Produced mid and end of year reports including the annual interim audit opinion on the Councils internal control framework;
- Supported the Corporate Governance Group and Corporate Governance Working Group;
- Provided assurance and advice to major project boards and partnership arrangements;
- Co-ordinated an annual management assurance exercise the results of which will inform risk registers, corporate governance update reports, action plans and also this annual governance statement;
- Contributed to the drafting of the annual governance statement;
- Implemented an escalation procedure to the Corporate Strategy Board and Audit Committee on audit reviews that gave rise to concern;
- Worked closely with the Corporate Anti-Fraud Team in relation to system controls and investigations to counter fraud;
- The Internal Audit plan for 2010/11 was approved by the Audit Committee in June 2010 and 91% of the plan was completed which included all the key financial system reviews relied upon by the External Auditors. A total of 232 recommendations were made during the audit year and 221 (95%) were agreed for implementation by the various managers;
- Undertook work on the authority's core financial systems for external audit reliance purposes; and
- The interim overall audit opinion for the Council's control environment for 2010/11 was assessed as "adequate - good". The detailed report setting out the reasoning

behind this assessment was considered and approved by the Governance, Audit and Risk Management Committee (GARM) in June 2011 and the final opinion will be produced once the work on the core financial systems has been completed and the results of the Management Assurance exercise for 2010/11 are available.

### **Corporate anti-fraud team**

- Is responsible for reviewing and updating the Council's corporate anti-fraud policy and corruption strategy;
- Investigated allegations of fraud both from external and internal sources;
- Worked closely with Police partners to secure convictions where appropriate; and
- Published successful prosecutions as part of a deterrent communication strategy.

### **8.15 Management Assurance Exercise**

The management assurance process was developed and introduced across the Council in 2005-06 (the 2004-05 exercise). The areas of assurance are reviewed and updated annually by Internal Audit and the Corporate Governance Group using the corporate risk register to provide a clear link between the controls identified in the risk management process and the assurances being obtained

The management assurance process involves obtaining self-assessments supported by documentary evidence from every third tier manager across the Council. These are then used to produce a statement for each directorate and an overall corporate statement that feeds into this Annual Governance Statement. The exercise is co-ordinated and 'reality checked' by Internal Audit.

The management assurance exercise is usually undertaken during March and April each year however this year's exercise was delayed to take account of the work on the assurance mapping exercise being undertaken to provide information on assurance provided across the Council.

In the spirit of reducing the burden of assurance on managers the self-assessment areas were reviewed by the Corporate Governance Group and a 51% reduction made in those that managers need to self-assess. Assurance on the areas taken out of the self-assessment process will be obtained from other sources and included in the Corporate Management Assurance Statement.

The results of the 2010-11 management assurance exercise will be included in the final annual governance statement.

### **8.16 Significant Governance Issues/Progress on previous agreed actions**

Should the annual review of the Council's governance arrangements and the annual management assurance exercise identified governance issues detailed action plans will be developed to address the issues and any significant governance gaps will be recognised in the final statement. An update will also be provided on progress against the 2009-10 AGS

Action Plan however a lower than anticipated implementation rate is expected with IT Disaster Recovery still remaining a significant governance gap.

The serious weakness identified in the 2009-10 statement in relation to the management and control of certain capital projects was followed by investigations into the overspend in the Children's Services capital programme. Cabinet received a report in December 2010 setting out issues and the outcomes of two investigations, one focussing on project management, one on financial management. The investigations made a series of specific detailed recommendations, to avoid any recurrence of the issues which had affected the programme. Key staff within Finance, Children's Services and Community & Environment have been working together on implementing these recommendations and in addition on a fundamental review of process to ensure that the Council has robust and holistic arrangements in place for both the development and implementation of its capital programme. Cabinet requested that the GARM Committee monitor and report on implementation of the recommendations made in the investigation reports, supported by Internal Audit, who have been instructed to independently verify the process. Progress against the detailed implementation plan is shows that 50% of actions are reported as implemented by management and Internal Audit is in the process of reviewing evidence to support this assertion; 43% of actions are not yet due/are in progress; 3.5% of actions are incomplete and the implementation date is imminent or has been extended and 3.5% of actions are incomplete and the implementation date has passed.

An overview of any new governance gaps identified as part of the 2010-11 annual governance review will be provided here in the final statement.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

### **8.17 Declaration**

We have been advised on the implications of the review of the effectiveness of the governance framework by the Governance, Audit and Risk Management Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Signed .....

.....

Councillor Bill Stephenson  
Leader of the Council

Michael Lockwood  
Chief Executive

DRAFT

## 9 Pension Fund Accounts

### 9.1 Administration of the Fund

The London Borough of Harrow Pension Fund is administered in accordance with the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 and The Local Government Pension Scheme (Administration) Regulations 2008. Its purpose is to provide pensions to all the Council's employees with the exception of teaching staff. Also included are certain employees of admitted and scheduled bodies who have gained admittance to the Fund in accordance with the Fund's admission criteria. The London Borough of Harrow is the administering employer.

The objective of this financial statement of the Pension Fund generally is to provide information about the financial position, performance and financial adaptability of the Fund. This statement shows the accountability of management for the resources entrusted to it, and of the disposition of its assets at the period end.

#### **Scheduled:**

This is a statutorily defined body listed within Local Government Pension Scheme (LGPS) Regulations and has a statutory obligation to participate in the LGPS (e.g. a local authority, a further or higher education establishment). The scheduled employers within the Fund are:

- Harrow Council;
- St Dominic's Sixth Form College;
- Stanmore College; and
- Harrow College.

#### **Admitted:**

There are two types of admission body:

**Community Admission Body** – These are typically charities or other public sector bodies providing a public service otherwise than for profit and which has sufficient links with the Scheme Employer to be regarded as having a community of interest.

**Transferee Admission Body** – These are typically private sector companies or charities who will have taken on staff from a local authority as a result of an outsourcing of services.

The organisations listed below have been admitted to the fund:

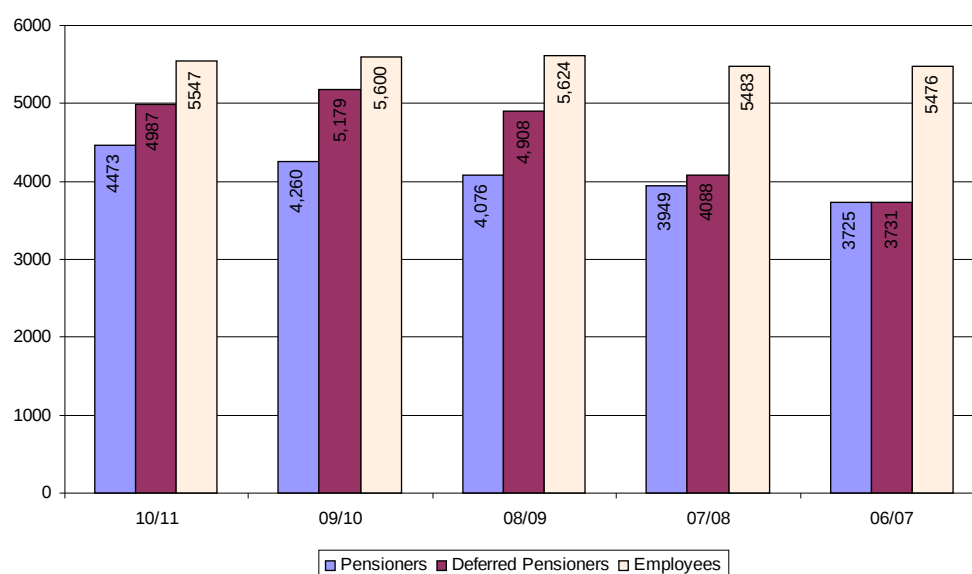
- Capita IT;
- Care UK;
- Harrison Catering;

- Julius Rutherford;
- KGB Cleaning;
- Kier;
- North London Collegiate School; and
- Supporta Care.

Membership of the Fund is voluntary. Full-time, part-time and casual employees where there is a mutuality of obligation and who have a contract of more than three months are brought into the Fund automatically, but have the right to “opt out” if they so wish. Casual employees with no mutuality of obligation are not eligible for membership. Contributors to the Fund are contracted out of the State Second Pension.

The Fund is financed by accumulated contributions paid by employees and their employers together with returns from the investment of fund monies. The pension benefits payable out of the Fund are primarily determined by legislation and not by the local authority.

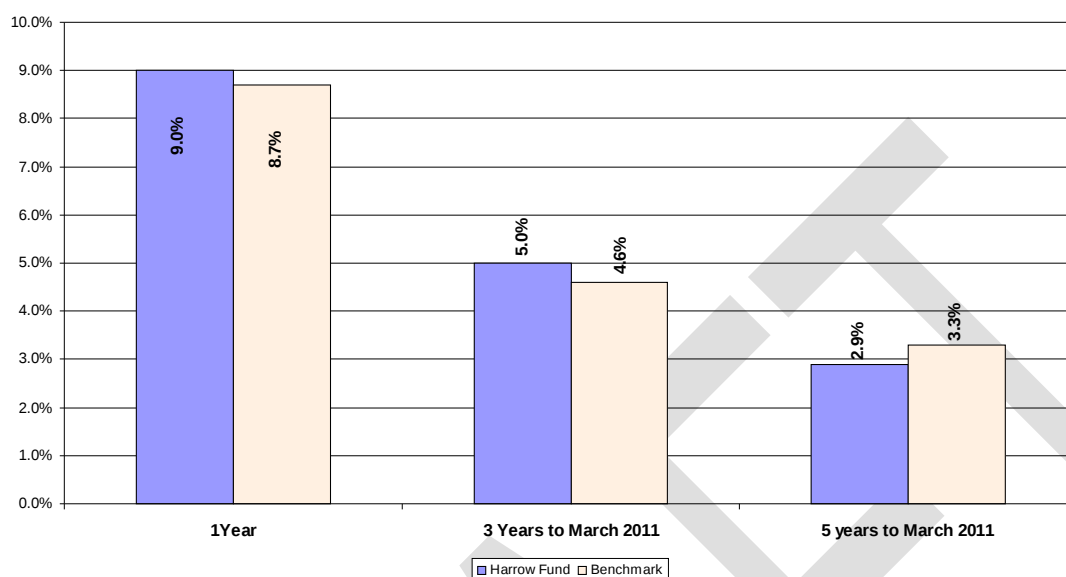
### Membership of the Fund



Responsibility for the overall direction of the fund's investment policy rests with a Council Panel. In implementing the Fund's investment policy, the Council has appointed 10 investment managers with responsibility to deal at discretion within broad investment objectives laid down by the council. These are UBS Global Asset Management (UK) Limited, BlackRock Investment Management (UK) Limited, Fidelity International, Longview Partners Investments, Wellington Management International Limited, State Street Global Advisors Limited, Pantheon Private Equity, BNY Mellon Asset Management, Aviva Investors Global Services Limited, and Record Currency Management Limited.

## 9.2 Fund performance

The Committee uses WM Performance Services as its independent investment performance measurer. Investment returns over 1, 3 and 5 years is shown below.



The Fund benefited from the continued recovery in financial markets described above together with its high allocation to equity markets and achieved a return of 9.0% in the year to 31 March 2011, outperforming the benchmark. While stock selection added value this was offset by higher than benchmark allocations to cash and private equity.

The average fund in the local authority universe (as per WM performance services) returned 8.2%, bringing 10 year returns back above inflation. The Fund return of 9.0% compared with the Local Authority average return of 8.2%, ranking in the 22<sup>nd</sup> percentile. There were 86 funds included in the Local Authority universe at 31 March 2011.

The longer term performance continues to disappoint with underperformance of 0.4% over five years. The Panel expect that the changes to the investment manager structure implemented in the prior year will support improved performance.

### 9.3 London Borough of Harrow Pension Fund Account

#### Pension Fund Account for the year ended 31st March 2011

| 2009-10<br>£000 |   | Notes | 2010-11<br>£000 |
|-----------------|---|-------|-----------------|
|                 | <b>Contributions and Benefits</b>               |       |                 |
| 25,170          | Contributions receivable                        | 9.4.2 | 25,496          |
| 4,315           | Individual Transfers in from other schemes      |       | 5,199           |
| 93              | Other Income (including Capital cost)           |       | 31              |
|                 | Less:   |       |                 |
| -23,526         | Benefits Payable                                | 9.4.3 | -24,581         |
| -3,805          | Leavers   | 9.4.4 | -2,455          |
| -816            | Administrative expenses                         | 9.4.5 | -775            |
| <u>1,431</u>    | <b>Net additions from dealings with members</b> |       | <u>2,915</u>    |
|                 | <b>Returns on Investments</b>                   |       |                 |
| 5,668           | Investment Income                               | 9.4.6 | 3,338           |
| 122,033         | Change in market value of investments           | 9.4.7 | 33,398          |
| -630            | Investment management expenses                  | 9.4.5 | 202             |
| <u>127,071</u>  | <b>Net returns on investments</b>               |       | <u>36,938</u>   |
| 128,502         | Net (Increase)/decrease in Fund during the year |       | 39,853          |
| 307,421         | Net assets at start of year                     |       | 435,923         |
| <u>435,923</u>  | <b>Net assets at end of year</b>                |       | <u>475,776</u>  |

#### Net Assets Statement

| 2009-10<br>£000 |  | Notes  | 2010-11<br>£000 |
|-----------------|--|--------|-----------------|
|                 | <b>Investment Assets</b>                         |        |                 |
| 432,893         | Pooled investment vehicles                       | 9.4.9  | 454,676         |
| 1,354           | Derivative contracts                             | 9.4.10 | 1,527           |
| <u>434,247</u>  |  |        | <u>456,203</u>  |
|                 | <b>Investment Liabilities</b>                    |        |                 |
| -3,245          | Derivative contracts                             | 9.4.10 | -627            |
| <u>431,002</u>  |  |        | <u>455,576</u>  |
| 517             | Cash deposits                                    | 9.4.7  | 1,750           |
| <u>431,519</u>  | <b>Net Investment Assets</b>                     |        | <u>457,326</u>  |
| 4,404           | <b>Net current assets and liabilities</b>        | 9.4.12 | 18,450          |
| <u>435,923</u>  | <b>Net assets of the scheme at 31 March 2011</b> |        | <u>475,776</u>  |

The accounts summarise the transactions of the Fund and deal with the net assets. They do not take account of the obligations to pay pensions and benefits which fall due after the end of the Fund year.



## 9.4 Notes to the Pension Fund Accounts

### 9.4.1 Accounting Policies

The accounts have been compiled in accordance with chapter 2 of the Statement of Recommended Practice “Financial Reports of Pension Schemes” (revised May 2007) (“the SORP”) and the CIPFA Code of Practice (‘The Code’) on local authority accounting in the United Kingdom 2010. The accounting policies have been drawn up in line with recommended accounting principles as specified in the Code of Practice on Local Authority Accounting and as disclosed below.

**Basis of Preparation** - Except where otherwise stated, the accounts have been prepared on an accruals basis.

**Investments** - These are shown in the accounts at market value which has been determined as follows:

- All listed investments are quoted at the bid price at the close of business on 31 March of each financial year;
- Unlisted securities are valued having regard to latest dealings, professional valuations, asset values, currency rates and other appropriate financial information adjusted to reflect cash transactions up to 31 March 2011;
- Investments in pooled investment vehicles are stated at the bid value of the latest prices quoted by their respective managers; and
- Derivatives are valued at the appropriate closing exchange rate or the bid spot or forward rates. Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year. Most investments are in pooled funds where the change in market value will reflect investment income earned by the fund and fees and expenses charged to the fund.

Where appropriate, investments held in foreign currencies have been valued on the relevant basis and translated into sterling at the rate ruling on 31 March of each financial year.

**Benefits, Refunds of Contributions and Transfer Values** - Benefits payable and refunds of contributions are accounted for in the period in which they are payable.

Transfer values are those sums paid to, or received from, other pension schemes and relate to periods of previous pensionable employment. Transfer values have been included in the accounts on a payments and receipts basis. The transfers can take a considerable time to determine and amounts can vary depending upon the date of settlement.

**Investment Income** - Dividends and interest on government stocks, loans and deposits have been accounted for on an accrued basis. Foreign income has been converted into sterling at the date of the transaction.

**Investment Management and Administration** - Regulations published in 1989 permit the Council to charge administration costs to the Pension Fund. A proportion of the relevant Council officers' salaries, including related on-costs, have been charged to the Fund based on estimated time spent on Fund administration and investment related business. The fees of the Fund's investment managers have been accounted for on the basis contained within their respective management agreements.

#### 9.4.2 Contributions

| 2009-10<br>£000 |                           | 2010-11<br>£000 |
|-----------------|---------------------------|-----------------|
|                 | <b>Employers - normal</b> |                 |
| 16,623          | London Borough of Harrow  | 16,905          |
| 1,367           | Scheduled Bodies          | 1,336           |
| 530             | Admitted Bodies           | 575             |
|                 | <b>Members - normal</b>   |                 |
| 5,977           | London Borough of Harrow  | 6,025           |
| 500             | Scheduled Bodies          | 463             |
| 173             | Admitted Bodies           | 192             |
| <u>25,170</u>   |                           | <u>25,496</u>   |

#### 9.4.3 Benefits

| 2009-10<br>£000 |                                | 2010-11<br>£000 |
|-----------------|--------------------------------|-----------------|
|                 | <b>Pensions</b>                |                 |
| -17,664         | London Borough of Harrow       | -18,286         |
| -348            | Scheduled Bodies               | -419            |
| -108            | Admitted Bodies                | -134            |
| <u>-18,120</u>  |                                | <u>-18,839</u>  |
|                 | <b>Benefits</b>                |                 |
| -4,364          | London Borough of Harrow       | -4,847          |
| -331            | Scheduled Bodies               | -350            |
| -82             | Admitted Bodies                | -253            |
| <u>-4,777</u>   |                                | <u>-5,450</u>   |
|                 | <b>Lump Sum Death Benefits</b> |                 |
| -629            | London Borough of Harrow       | -292            |
| 0               | Admitted Bodies                | 0               |
| <u>-629</u>     |                                | <u>-292</u>     |
| <u>-23,526</u>  |                                | <u>-24,581</u>  |

## 9.4.4 Leavers

| 2009-10       |                                       | 2010-11       |
|---------------|---------------------------------------|---------------|
| £000          |                                       | £000          |
| -9            | Refunds to members                    | -4            |
| -3,797        | Individual transfers to other schemes | -2,451        |
| 1             | NI contributions                      | 0             |
| <u>-3,805</u> |                                       | <u>-2,455</u> |

## 9.4.5 Investment Management and Administration Expenses

| 2009-10       |                                      | 2010-11     |
|---------------|--------------------------------------|-------------|
| £000          |                                      | £000        |
| -630          | Investment management expenses       | 202         |
|               | Scheme administration                |             |
| -690          | Harrow Council                       | -639        |
| -126          | Misc. (including Actuary Fees)       | -136        |
| <u>-816</u>   | <b>Total Administration Expenses</b> | <u>-775</u> |
| <u>-1,446</u> | <b>Total Expenses</b>                | <u>-573</u> |

## 9.4.6 Investment Income

| 2009-10      |   | 2010-11      |
|--------------|---|--------------|
| £000         |   | £000         |
| 889          | Interest from fixed interest securities | 0            |
| 3,534        | Dividends from equities                 | 0            |
| 310          | Income from index-linked securities     | 0            |
| 1,371        | Income from pooled investment           | 3,220        |
| 168          | Interest on cash deposits               | 118          |
| -604         | Foreign exchange                        | 0            |
| <u>5,668</u> |   | <u>3,338</u> |

Income from dividends has been accrued from the point when securities have been quoted ex-dividend.

## 9.4.7 Investments

|                            | Value at<br>01-Apr-10<br>£000 | Purchases<br>at Cost &<br>Derivative<br>Payments<br>£000 | Sale Proceeds<br>& Derivative<br>Receipts<br>£000 | Change in<br>Market Value<br>£000 | Value at<br>31-Mar-11<br>£000 |
|----------------------------|-------------------------------|--|---|-----------------------------------|-------------------------------|
| Pooled Investment Vehicles |                               |  |   |                                   |                               |
| Property                   | 26,440                        | 14,651   | -3,093  | 2,316                             | 40,314                        |
| Other                      | 406,453                       | 8,276  | -30,421   | 30,054                            | 414,362                       |
| Derivatives                | -1,891                        | 2,190  | -427  | 1,028                             | 900                           |
|                            | <b>431,002</b>                | <b>25,117</b>  | <b>-33,941</b>                                    | <b>33,398</b>                     | <b>455,576</b>                |
| Cash Deposits              | 517                           |  |   |                                   | 1,750                         |
|                            | <b>431,519</b>                |  |   |                                   | <b>457,326</b>                |

The change in market values is mainly due to the increase in equity values as the global economic background improved over the last year (both the UK and Global Equity markets rose in the region of 8.7% and 8.1% respectively). £33m of the change was in respect of unrealised net gains at 31 March 2011.

Indirect transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include fees, commissions, stamp duty and other fees. Indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately available.

Derivative payments (£2.2m) and receipts (£0.4m) are in respect of realised losses and profits on forward foreign exchange trades settled during the period.

All fund managers operating the pooled investment vehicles are registered in the United Kingdom.

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

|                              | 2010-11        |            | 2009-10        |            |
|------------------------------|----------------|------------|----------------|------------|
|                              | £000           | %          | £000           | %          |
| State Street Global Advisors | 120,397        | 26         | 117,459        | 27         |
| Longview Partners            | 32,041         | 7          | 32,736         | 7          |
| Fidelity International       | 86,232         | 19         | 85,927         | 20         |
| Wellington Management        | 97,834         | 21         | 98,251         | 23         |
| BlackRock                    | 55,130         | 12         | 64,956         | 15         |
| UBS                          | 585            | 0          | 12,771         | 3          |
| Aviva                        | 40,314         | 9          | 0              | 0          |
| Pantheon                     | 20,873         | 5          | 15,509         | 4          |
| Mellon                       | 3,020          | 1          | 2,411          | 1          |
| Record Currency              | 900            | 0          | 1,499          | 0          |
| Total Fund                   | <b>457,326</b> | <b>100</b> | <b>431,519</b> | <b>100</b> |

## 9.4.8 Investments Exceeding 5% of the Total Value of Net Assets

| 2009-10<br>£m |  | 2010-11<br>£m |
|---------------|--|---------------|
| 117.6         | SSGAMPF UK Equity Index Sub-Fund                             | 120.4         |
| 98.2          | Wellington Global Pooled Value Equity Portfolio              | 97.8          |
| 74.9          | Fidelity Inst Select Global Pooled Equities                  | 86.2          |
| 40.4          | BlackRock Institutional Bond Fund-Corp Bond 10 Yrs A class   | 43.2          |
| 32.7          | Longview Partners Invest - Global Pooled Equities FD K Class | 32.0          |
| 0.0           | Aviva Investors UK Real Estate Fund of Funds Open Ended      | 30.8          |
| <u>363.8</u>  |  | <u>410.4</u>  |

## 9.4.9 Pooled Investment Vehicles

| 2009-11<br>£000 |                             | 2010-11<br>£000 |
|-----------------|-----------------------------|-----------------|
| 26,440          | UK Managed Funds - Property | 40,314          |
| 174,030         | UK Managed Funds - Other    | 177,382         |
| 232,423         | Overseas Other              | 236,980         |
| <u>432,893</u>  |                             | <u>454,676</u>  |

## 9.4.10 Derivatives

| £000          |                                    | £000       |
|---------------|------------------------------------|------------|
|               | <b>Investment Assets</b>           |            |
| 1,354         | Forward Foreign exchange contracts | 1,527      |
|               | <b>Investment Liabilities</b>      |            |
| -3,245        | Forward Foreign exchange contracts | -627       |
| <u>-1,891</u> | <b>Net Derivatives</b>             | <u>900</u> |

| Counterparty                  | Duration        | No. of<br>Contracts | Value at 31-Mar-11<br>Assets<br>£000 | Liabilities<br>£000 |
|-------------------------------|-----------------|---------------------|--------------------------------------|---------------------|
| Barclays Bank - London        | 7 days - 6 mths | 6                   | 605                                  | -184                |
| HSBC Bank - London            | 7 days - 3 mths | 4                   | 7                                    | -64                 |
| Northern Trust - London       | 7 days - 6 mths | 3                   | 304                                  | -4                  |
| Royal Bank of Scotland        | 7 days - 6 mths | 4                   | 33                                   | -4                  |
| Royal Bank of Canada - London | 7 days - 6 mths | 1                   | 24                                   |                     |
| Toronto Dominion - Toronto    | 7 days - 6 mths | 7                   | 83                                   | -296                |
| UBS AG - London               | 7 days - 3 mths | 2                   | 22                                   | -22                 |
| Westpac - Sydney              | 7 days - 6 mths | 10                  | 448                                  | -54                 |
|                               |                 | <u>37</u>           | <u>1,527</u>                         | <u>-627</u>         |

The scheme objective in using derivatives is to reduce risk in the portfolio by entering into forward contracts to mitigate the effect of currency risk from overseas investments held in the portfolio without disturbing the underlying assets. The overseas equity portfolio is 50% hedged against the currency risk, and the value of the economic exposure is £142.5m.

## 9.4.11 Additional Voluntary Contributions (AVCs)

Members of the Fund make AVCs. These amounts are not included in the Pension Fund Accounts in accordance with regulation 5c of the Pension Scheme (Management and Investment of Funds) Regulations 1998.

| 2009-10      |  | 2010-11      |
|--------------|--|--------------|
| 2,120        | Value of AVC Fund at 1 April                 | 2,233        |
| 223          | Employee contributions                       | 249          |
| 166          | Investment income and change in market value | 113          |
| 0            | Transfer Values In                           | 125          |
| -276         | Benefits paid and transfers out              | -527         |
| <u>2,233</u> | <b>Value of AVC Fund at 31 March</b>         | <u>2,193</u> |

## 9.4.12 Current Assets &amp; Liabilities

| 2009-10<br>£000 |  | 2010-11<br>£000 |
|-----------------|--|-----------------|
|                 | <b>Current Liabilities</b>                     |                 |
| -516            | Unpaid Benefits                                | -256            |
| -202            | Other Unpaid liabilities                       | -175            |
| <u>-718</u>     |  | <u>-431</u>     |
|                 | <b>Current Assets</b>                          |                 |
| 4,378           | Cash balances held by London Borough of Harrow | 18,750          |
| 114             | Contributions due from employers               | 114             |
| 630             | Other Current Assets                           | 17              |
| <u>5,122</u>    |  | <u>18,881</u>   |
| <u>4,404</u>    | <b>Net Assets</b>                              | <u>18,450</u>   |

## 9.4.13 Related Party Transactions

| 2009-10<br>£000 |   | 2010-11<br>£000 |
|-----------------|---|-----------------|
| 16,623          | Employer's pension contribution to the fund | 16,905          |
| -690            | Administration expenses paid to the Council | -639            |
| 4,378           | Cash in hand held by Council                | 18,750          |

The fund is required under FRS8 to disclose details of material transactions with related parties.

The Council is a related party to the Pension fund. Details of the contributions made to the Fund by the Council and expenses refunded to the Council are set out above. Details of total contributions made in the year are set out in note [9.4.13] to the accounts.

## 9.4.14 Actuarial Valuation

An actuarial valuation of the Fund was carried out as at 31 March 2010. The market value of the Fund's assets at the valuation date was £436m and the total accrued liabilities of the Fund were £593m. The Fund deficit was therefore £157m, producing a funding level of 73.5% (compared to 87% at 31 March 2007).

To reach the funding level of 100% over a period of 20 years, the common employers contribution rate is 25.7% of pensionable pay. Projected Unit Method is used to determine this rate. Adjustments have been made to the common rate of employers contribution to take account of certain circumstances that are peculiar to individual employers.

The main actuarial assumptions are detailed below:

| Assumption                              | Rate as at<br>31-Mar-10<br>nominal |
|---|------------------------------------|
| Price Inflation (CPI)                   | 3.3%                               |
| Pay Increases                           | 4.8%                               |
| Gilt based discount rate                | 4.5%                               |
| Funding basis discount rate             | 6.1%                               |
| Longevity at 65 for current pensioners: |                                    |
| Male                                    | 21.6                               |
| Female                                  | 23.6                               |
| Longevity at 65 for future pensioners:  |                                    |
| Male                                    | 23.6                               |
| Female                                  | 25.9                               |

The Objectives of the Fund are as detailed below:

- To ensure the long term solvency of the fund;
- To ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- To maximise investment returns for an appropriate level of risk;
- To help employers recognise and manage pension liabilities as they accrue; and
- To minimise the degree of short term change in the level of each employers contributions.

#### 9.4.15 Actuarial present value of promised retirement benefits

IAS26 Accounting and Reporting by Retirement Benefit Plans imposes a new requirement on administering authorities in 2010-11 to disclose the actuarial present value of promised retirement benefits. This has been calculated similarly to the defined benefit obligation under IAS 19 Employee Benefits.

The most recent valuation of the Council's Pension Fund at 31 March 2010 has been used for this purpose. The valuation has been carried out using assumptions that are in line with IAS 19 as opposed to the Pension Fund's funding assumptions. These are as follows:

2009-10

2010-11

|      |   |      |
|------|---|------|
| 3.8% | Rate of inflation                       | 2.8% |
| 5.3% | Rate of increase in salaries            | 4.6% |
| 3.8% | Rate of increase in pensions            | 2.8% |
| 5.5% | Rate for discounting scheme liabilities | 5.5% |

In addition, mortality rates are equivalent to those used by the scheme's actuary in the triennial valuation.

31-Mar-10

£m

31-Mar-11

£m

|     |   |     |
|-----|---|-----|
| 757 | Present value of promised retirement benefits | 649 |
|-----|---|-----|

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation at 31 March 2010. The liability at 31 March 2011 has been estimated by the actuary as comprising £276m in respect of employee members, £99m in respect of deferred pensioners and £274m in respect of pensioners. The actuary is satisfied that the aggregate liability is a reasonable estimate of the actuarial present value of benefit promises.

## 9.5 Statement of Investment Principles

The Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 1999 require administering authorities to prepare, maintain and publish a written statement of principles governing their decisions about investments. The Pension Fund has adopted a formal Statement of Investment Principles which is published on the council website at [www.harrow.gov.uk](http://www.harrow.gov.uk).



## 10 Appendix

### 10.1 Glossary of Terms

The glossary's definitions are intended to provide a clear and concise explanation of the technical terms used in this publication.

#### Accounting Standards

By law local authorities are required to follow "proper accounting practices" which are set out both in Acts of Parliament and in professional codes and statements of recommended practice (The Code).

**Accrual:** a sum included in the financial statements to cover income and expenditure attributable to an accounting period for goods received or work done, but for which payment has not been received/made by the end of the period.

**Actuarial Valuation:** a valuation of assets held, an estimate of the present value of benefits to be paid, and an estimate of required future contributions, by an actuary, on behalf of a pension fund.

**Actuary:** an independent professional who advises on the financial position of the pension fund.

**Agency Services:** the provision of services by one body (the agent) on behalf of another that is legally responsible for providing the service.

**Amortised Cost:** the initial measurement will be at fair value, normally the amount of the originating transaction such as the receipt or loan advance less transaction costs. The effective interest rate is then calculated to the amount in the balance sheet at initial measurement. The result in the balance sheet carrying amount (the amortised cost) and a profile of interest charges that might be different from the amounts specified in the contract as being for interest and principal.

**Bad Debt Provisions:** amount of money set aside to meet cost of monies owed to the Council that are not expected to be repaid.

**Balances:** unallocated reserves held to resource unpredictable expenditure demands.

**Best Value Accounting:** The Best Value Accounting Code of Practice (BVACOP) modernises the system of local authority accounting and reporting to ensure that it meets the changed and changing needs of modern local government, particularly the duty to secure and demonstrate Best Value in the provision of services.

**Capital Expenditure:** expenditure on the purchase, construction and enhancement of Council assets such as houses, offices, schools, roads etc.

**Capital Grants:** money received from government departments and other statutory bodies towards the Council's capital expenditure.

**Community Assets:** assets that the Council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

**Contingency:** money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income.

**Contingent Liability:** is either; a) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or b) past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient liability.

**Corporate and Democratic Core:** comprises all activities that local authorities engage in specifically because they are elected, multipurpose authorities with a responsibility for making choices in the use of taxpayer's money. The cost of the activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

**Council Tax:** a locally determined charge based on domestic property values levied by a local authority to enable it to provide its services.

**Creditors:** amounts owed by the Council for goods and services received where payment has not been made at the date of the balance sheet.

**Current Asset:** an asset held, which will be consumed or cease to have value within the next financial year. Examples are stocks and debtors.

**Current Liability:** an amount which will become payable or could be called in within the next accounting period. Examples are creditors and cash overdrawn.

**Current Service Cost:** the increase in the present value of Pension Fund liabilities expected to arise from current year service.

**Debtors:** amounts owed to the authority for goods and services provided but not received at the date of the balance sheet.

**Dedicated Schools Grant:** a specific grant for the funding of schools and which is ring fenced to the Schools Budget.

**Depreciation:** the measure used to determine the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, passing of time or obsolescence through technological or other changes.

**Earmarked Reserves:** amounts set aside for a specific purpose or a particular service or type of service.

**Fair Value:** the price at which an asset could be exchanged in an arms length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

**Fees and Charges:** income raised by charging users of services.

**Finance Leases:** a method of paying for capital expenditure where a rent is paid for an asset during its useful life. Finance leases are treated as capital. See Operating Leases.

**General Fund:** the account that covers the net cost of all services other than the provision of Council housing for rent.

**Housing Revenue Account (HRA):** a statutory account which contains all expenditure and income relating to the provision of Council housing for rent. The HRA must be kept entirely separate from the General Fund. Local authorities are not allowed to make up any deficit on the HRA from the General Fund.

**Impairment:** a reduction in the value of a fixed asset below its previously assessed value in the balance sheet.

**Infrastructure Assets:** a classification of fixed assets which have no market value, and which exist primarily to facilitate transportation and communication requirements (e.g. highways and footpaths) and similar environmental works.

**Levies:** payments to London-wide bodies, e.g. Environment Agency, Lee Valley Regional Park and West London Waste Authority. The cost of these bodies is borne by local authorities in the area concerned, based on their Council tax base and is met from the General Fund.

**Minimum Revenue Provision (MRP):** the minimum amount which must be charged to the Council's revenue account and set aside as provision for credit liabilities.

**National Non Domestic Rate (NNDR):** a flat rate in the pound set by Central Government and levied on businesses in the borough. The money is collected by the Council and passed to Central Government. Sums are then re-allocated to all Councils in proportion to their population.

**Net Current Replacement Cost:** the cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

**Net Realisable Value:** the open market value of the asset in its existing use (open market value in the case of non-operational assets), or sale proceeds for stocks and stores less the expenses to be incurred in realising the asset.

**Non-Distributable Cost:** these include overheads for which no user now benefits and should not be apportioned to services. Examples are spare computer capacity and empty offices. These also include pension costs in relation to scheme members past service.

**Operating Lease;** a lease under which the asset can never become the property of the lessee.

**Past Service Cost:** the increase in present value of Pension Fund liabilities arising in the current year from previous years service.

**Pension Fund:** the Fund for staff in the Local Government Pension Scheme, maintained on an actuarial basis, which makes pension payments on retirement of participants; it is financed by contributions from the employer and employees from investment income.

**Pension Interest Costs:** the expected increase in present value of Pension Fund liabilities because benefits are due one year sooner.

**Post Balance Sheet Events:** are events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Director of Finance signs the Statement of Accounts.

**Prior Year Adjustments:** those material adjustments applicable to prior years arising from changes in accounting policies or to correct fundamental errors.

**Property, Plant and Equipment:** tangible assets that yield benefit to the Council and the services it provides for a period of more than one year.

**Provisions:** monies set aside for liabilities and losses which are likely to be incurred but where exact amounts or dates are uncertain.

**Private Finance Initiative (PFI):** PFI is the procurement of public services and assets by local authorities where the private sector is responsible for the design, construction, finance and operation of an asset or service for a specified time after which it is transferred back into the public sector.

**Public Works Loan Board (PWLB):** a government agency that provides long term and medium term loans to local authorities at interest rates only slightly higher than those at which the government itself can borrow.

**Related Party:** the relationship between a senior officer or elected member, or their families, with another body that has, or might develop a business relationship with the Council.

**Revenue Expenditure:** the day-to-day running costs relating to the accounting period irrespective of whether or not the amounts due have been paid. These costs would include salaries and wages, premises and the costs of supplies and services.

**Revenue Support Grant:** the main grant received from central government to support local Council revenue expenditure.

**Taxbase:** the number of Band D equivalent properties in a local authority's area. An authorities tax base is taken into account when it calculates it's council tax, and when central government calculates entitlement to Formula Grant.

**Trust Funds:** money held in trust by the Council for a specified purpose.

**The Code of Practice (The Code):** aims to specify the principles and practices of accounting required to prepare a Statement of Accounts which presents fairly the financial position and transactions of the Council.

## 10.2 Abbreviations

|          |   |
|----------|---|
| ASB      | Accounting Standards Board  |
| AVC      | Additional Voluntary Contributions  |
| BVACOP   | Best Value Accounting - Code of Practice  |
| CFR      | Capital Financing Regulations   |
| CIPFA    | Chartered Institute of Public Finance and Accountancy   |
| CMF      | Capital Modernisation Fund  |
| EMU      | European Monetary Union   |
| FRS      | Financial Reporting Standards   |
| FRS 5    | Financial Reporting Standard in respect of Substance Over Form.   |
| FRS 8    | Financial Reporting Standard in respect of Related Party Disclosure                                     |
| FRS 12   | Financial Reporting Standard in respect of Provisions, Contingent Liabilities and Contingent Assets     |
| FRS 15   | Financial Reporting Standard in respect of Tangible Fixed Assets.                                       |
| FRS 25   | Financial Instruments: Disclosure & Presentation  |
| FRS 26   | Financial Instruments: Recognition & Measurement  |
| FRS 27   | Financial Reporting Standard in respect of Life Assurance   |
| FRS 29   | Financial Instruments: Disclosures  |
| GDP      | Gross Domestic Product  |
| IAS 19   | International Accounting Standard in respect of Employee Benefits                                       |
| ICES     | Integrating Community Equipment Service   |
| iFReM    | International Financial Reporting Manual  |
| IFRIC    | International Financial Reporting Interpretations Committee   |
| IFRIC 12 | International Financial Reporting Interpretations Committee relating to Service Concession Arrangements |
| LBH      | London Borough of Harrow Council  |
| LGPS     | Local Government Pension Scheme   |

|         |  |
|---------|--|
| LOBO    | Lenders Option Borrowers Option  |
| MMI     | Municipal Mutual Insurance   |
| MRP     | Minimum Revenue Provision  |
| NDC     | Non Distributed Costs  |
| NI      | National Insurance   |
| NPV     | Net Present Value  |
| OSP     | One School Pathfinder (Targeted Capital)   |
| RCCO    | Revenue Contribution to Capital Outlay   |
| RICS    | Royal Institute of Chartered Surveyors   |
| RSG     | Revenue Support Grant  |
| SETS    | Stock Exchange Electronic Trading Service  |
| SSAP    | Statement of Standard Accounting Practice  |
| SSAP 21 | Statement of Standard Accounting Practice in respect of Leases and Hire Purchase Contracts |
| USM     | Unlisted Securities Market   |
| WLWA    | West London Waste Authority  |

## 10.3 BVACOP

| Division of Service                                     | 2010-11<br>Gross<br>Expend.<br>£000 | 2010-11<br>Gross<br>Income<br>£000 | 2010-11<br>Net<br>Expend.<br>£000 | 2009-10<br>Net<br>Expend.<br>£000 |
|---|-------------------------------------|------------------------------------|-----------------------------------|-----------------------------------|
| <b>Best Value Service Analysis Summary</b>              |                                     |                                    |                                   |                                   |
| Central Services  | 24,909                              | -23,460                            | 1,449                             | 1,208                             |
| Court Services  | 178                                 | 0                                  | 178                               | 150                               |
| Cultural, Environmental, Regulatory & Planning Services | 46,537                              | -9,203                             | 37,334                            | 47,470                            |
| Education and Children's Services                       | 344,311                             | -206,057                           | 138,254                           | 174,225                           |
| Highways & Transport Services                           | 31,793                              | -13,791                            | 18,002                            | 15,979                            |
| Housing Services  | 289,687                             | -152,739                           | 136,948                           | -28,252                           |
| Adult Social Care                                       | 83,254                              | -20,216                            | 63,038                            | 67,501                            |
| Corporate and Democratic Core                           | 11,777                              | -1,253                             | 10,524                            | 9,286                             |
| Non Distributed Costs                                   | -68,249                             | -114                               | -68,363                           | 393                               |
| <b>Cost of Services</b>                                 | <b>764,197</b>                      | <b>-426,833</b>                    | <b>337,364</b>                    | <b>287,960</b>                    |
| Other items   | 34,826                              | -260,862                           | -226,036                          | -188,558                          |
| <b>Surplus or Deficit on the Provision of Services</b>  | <b>799,023</b>                      | <b>-687,695</b>                    | <b>111,328</b>                    | <b>99,402</b>                     |
| <b>Central Services</b>                                 |                                     |                                    |                                   |                                   |
| Local Tax Collection                                    | 22,457                              | -21,904                            | 553                               | 839                               |
| Registration of Births, Deaths and Marriages            | 1,081                               | -1,169                             | -88                               | -11                               |
| Elections   | 781                                 | -7                                 | 774                               | 425                               |
| Emergency Planning                                      | 226                                 | 0                                  | 226                               | 189                               |
| Local Land Charges                                      | 364                                 | -360                               | 4                                 | -215                              |
| General Grants Bequests and Donations                   | 0                                   | -20                                | -20                               | -19                               |
|   | <b>24,909</b>                       | <b>-23,460</b>                     | <b>1,449</b>                      | <b>1,208</b>                      |
| <b>Court Services</b>                                   |                                     |                                    |                                   |                                   |
| Coroners' Court Services                                | 178                                 | 0                                  | 178                               | 150                               |
|   | <b>178</b>                          | <b>0</b>                           | <b>178</b>                        | <b>150</b>                        |
| <b>Cultural, Environmental and Planning Services</b>    |                                     |                                    |                                   |                                   |
| Culture and Heritage                                    | 872                                 | -526                               | 346                               | 4,322                             |
| Recreation and Sport                                    | 3,604                               | -571                               | 3,033                             | 8,483                             |
| Open Spaces   | 3,660                               | -1,113                             | 2,547                             | 3,573                             |
| Tourism   | 9                                   | 0                                  | 9                                 | 42                                |
| Library Service   | 6,441                               | -496                               | 5,945                             | 7,633                             |
| Cemetery, cremation and mortuary services               | 852                                 | -269                               | 583                               | 745                               |
| Environmental Health                                    | 3,313                               | -429                               | 2,884                             | 2,973                             |
| Community safety (Crime Reduction)                      | 1,056                               | -230                               | 826                               | 767                               |
| Community Safety (CCTV)                                 | 744                                 | -6                                 | 738                               | 0                                 |
| Flood Defence and Land Drainage                         | 1,047                               | -169                               | 878                               | 921                               |
| Trading Standards                                       | 830                                 | 0                                  | 830                               | 847                               |
| Street Cleansing (Not chargeable to highways)           | 4,558                               | -3                                 | 4,555                             | 4,984                             |
| Waste Collection  | 5,291                               | -813                               | 4,478                             | 4,156                             |
| Trade Waste   | 983                                 | -912                               | 71                                | 89                                |
| Recycling   | 2,732                               | -161                               | 2,571                             | 2,762                             |
| Climate Change Costs                                    | 268                                 | -118                               | 150                               | 0                                 |
| Building Control  | 1,327                               | -890                               | 437                               | 108                               |
| Development Control                                     | 2,331                               | -744                               | 1,587                             | 2,163                             |
| Planning Policy.  | 2,917                               | -473                               | 2,444                             | 1,992                             |
| Environmental initiatives                               | 37                                  | 0                                  | 37                                | -6                                |
| Economic Development                                    | 845                                 | -421                               | 424                               | 406                               |
| Community Development                                   | 2,820                               | -859                               | 1,961                             | 510                               |
|   | <b>46,537</b>                       | <b>-9,203</b>                      | <b>37,334</b>                     | <b>47,470</b>                     |

| Division of Service   | 2010-11<br>Gross<br>Expend.<br>£000 | 2010-11<br>Gross<br>Income<br>£000 | 2010-11<br>Net<br>Expend.<br>£000 | 2009-10<br>Net<br>Expend.<br>£000 |
|---|-------------------------------------|------------------------------------|-----------------------------------|-----------------------------------|
| <b>Education and Children's Services</b>                        |                                     |                                    |                                   |                                   |
| Nursery Schools   | 6,763                               | -5,720                             | 1,043                             | 952                               |
| Primary Schools   | 153,304                             | -90,892                            | 62,412                            | 78,247                            |
| Secondary Schools   | 107,840                             | -70,202                            | 37,638                            | 48,334                            |
| Special Schools   | 22,493                              | -17,743                            | 4,750                             | 9,312                             |
| Non School Funding  | 9,479                               | -3,396                             | 6,083                             | 6,678                             |
| Management and Support Services                                 | 14,226                              | -11,867                            | 2,359                             | 5,583                             |
| Service Strategy  | 1,746                               | -72                                | 1,674                             | 1,384                             |
| Children's services-commissioning and social work               | 3,215                               | -331                               | 2,884                             | 2,635                             |
| Children looked after   | 12,306                              | -2,803                             | 9,503                             | 11,494                            |
| Family support services   | 6,470                               | -1,437                             | 5,033                             | 4,848                             |
| Youth justice   | 1,575                               | -806                               | 769                               | 797                               |
| Asylum seekers  | 1,885                               | -633                               | 1,252                             | 1,209                             |
| Other children's and families' services                         | 3,009                               | -155                               | 2,854                             | 2,752                             |
|   | <b>344,311</b>                      | <b>-206,057</b>                    | <b>138,254</b>                    | <b>174,225</b>                    |
| <b>Highways and Transportation Services</b>                     |                                     |                                    |                                   |                                   |
| Transport planning, policy and strategy                         | 185                                 | -40                                | 145                               | 65                                |
| Structural Maintenance  | 4,698                               | -408                               | 4,290                             | 3,129                             |
| Environment Safety and Routine Maintenance                      | 4,021                               | -691                               | 3,330                             | 4,248                             |
| Street Lighting   | 1,691                               | -10                                | 1,681                             | 1,734                             |
| Winter Service  | 370                                 | -88                                | 282                               | 246                               |
| Traffic Management and Road Safety                              | 7,676                               | -3,528                             | 4,148                             | 2,800                             |
| Parking Services  | 4,821                               | -8,998                             | -4,177                            | -3,359                            |
| Public Transport  | 8,331                               | -28                                | 8,303                             | 7,116                             |
|   | <b>31,793</b>                       | <b>-13,791</b>                     | <b>18,002</b>                     | <b>15,979</b>                     |
| <b>Housing Services</b>   |                                     |                                    |                                   |                                   |
| Housing strategy  | 2,525                               | -7                                 | 2,518                             | 816                               |
| Enabling  | 450                                 | 0                                  | 450                               | 208                               |
| Housing advice  | 3                                   | 0                                  | 3                                 | 148                               |
| Private sector housing renewal                                  | 850                                 | -201                               | 649                               | 1,402                             |
| Homelessness  | 3,242                               | -733                               | 2,509                             | 3,816                             |
| Housing benefits payments                                       | 122,697                             | -122,777                           | -80                               | 382                               |
| Housing benefits administration                                 | 3,633                               | -2,108                             | 1,525                             | 1,508                             |
| Contribution to the HRA re: items shared by the whole community | 167                                 | 0                                  | 167                               | 87                                |
| Other council property  | 9                                   | -3                                 | 6                                 | 15                                |
| Supporting People   | 5,719                               | -1,195                             | 4,524                             | 101                               |
| Other Welfare services  | 273                                 | -25                                | 248                               | 221                               |
| Housing Revenue Account   | 150,119                             | -25,690                            | 124,429                           | -36,956                           |
|   | <b>289,687</b>                      | <b>-152,739</b>                    | <b>136,948</b>                    | <b>-28,252</b>                    |
| <b>Adult Social Care</b>  |                                     |                                    |                                   |                                   |
| Service Strategy  | 332                                 | -8                                 | 324                               | 346                               |
| Older people (Aged 65 or over) including older mentally ill     | 40,312                              | -9,900                             | 30,412                            | 30,788                            |
| Adults aged 65 with a physical disability or sensory impairment | 7,960                               | -824                               | 7,136                             | 10,308                            |
| Adults aged under 65 with a learning disabilities               | 26,571                              | -9,056                             | 17,515                            | 17,059                            |
| Adults aged under 65 with mental health needs                   | 6,162                               | -225                               | 5,937                             | 8,413                             |
| Other adult services  | 1,917                               | -203                               | 1,714                             | 587                               |
|   | <b>83,254</b>                       | <b>-20,216</b>                     | <b>63,038</b>                     | <b>67,501</b>                     |



## Appendix

| Division of Service                      | 2009-10<br>Gross<br>Expend.<br>£000 | 2009-10<br>Gross<br>Income<br>£000 | 2009-10<br>Net<br>Expend.<br>£000 | 2008-09<br>Net<br>Expend.<br>£000 |
|--|-------------------------------------|------------------------------------|-----------------------------------|-----------------------------------|
| <b>Corporate and Democratic Core</b>     |                                     |                                    |                                   |                                   |
| Democratic Representation and Management | 3,894                               | -231                               | 3,663                             | 4,248                             |
| Corporate Management                     | 7,883                               | -1,022                             | 6,861                             | 5,038                             |
|  | <b>11,777</b>                       | <b>-1,253</b>                      | <b>10,524</b>                     | <b>9,286</b>                      |
| <b>Non Distributed Costs</b>             |                                     |                                    |                                   |                                   |
| Retirement Benefits                      | 5,773                               | -114                               | 5,659                             | 3,817                             |
| IAS19                                    | -74,022                             |                                    | -74,022                           | -3,424                            |
|  | <b>-68,249</b>                      | <b>-114</b>                        | <b>-68,363</b>                    | <b>393</b>                        |